

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPLIANCE EXAMINATION**

**(In Accordance with the Single Audit Act  
and OMB Circular A-133)**

**FOR THE YEAR ENDED JUNE 30, 2012**

**Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

**FOR THE YEAR ENDED JUNE 30, 2012**

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Financial Statement Report

The University's financial statement report for the year ended June 30, 2012, which includes the report of independent auditors, management discussion and analysis, financial statements and notes, supplementary information, and the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

**FOR THE YEAR ENDED JUNE 30, 2012**

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**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPLIANCE EXAMINATION**

(In Accordance With the Single Audit Act and OMB Circular A-133)

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**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY**

**AGENCY OFFICIALS**

President	Dr. Wayne Watson
Chief of Staff	Dr. Napoleon Moses (4/16/12 to Present)
Provost and Senior V.P. of Academic Affairs	Dr. Sandra Westbrooks
Vice President of Administration and Finance	Mr. Glenn Meeks
Associate V.P. of Administration and Finance	Ms. Maricela Aranda (8/8/11 to Present)
Associate V.P. of Administration and Finance	Mr. Larry Pinkelton (8/16/11 to Present)
Director of Accounting/Controller	Mr. Edward Lannon
Associate Director of Accounting	Ms. Louise Williams
Chief Internal Auditor	Mr. Ken Clow

University offices are located at:

9501 South Martin Luther King Drive  
Chicago, IL 60628

Wayne Watson, Ph.D.  
President



Telephone: 773 / 995-2400  
Fax: 773 / 995-3849  
E-mail: wwatson@csu.edu

March 1, 2013

9501 S. King Drive / ADM 313  
Chicago, Illinois 60628-1598

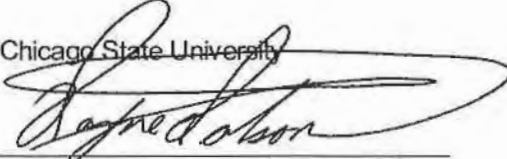
Borschnack, Pelletier & Co.  
Certified Public Accountants  
200 E. Court St., Suite 608  
Kankakee, IL 60901


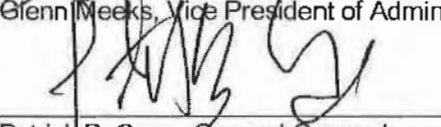
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of Chicago State University. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of Chicago State University's compliance with the following assertions during the year ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, Chicago State University has materially complied with the assertions below.

- A. Chicago State University has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Chicago State University has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Chicago State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by Chicago State University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Chicago State University on behalf of the State or held in trust by the University have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Chicago State University  
  
Dr. Wayne Watson, President

  
Glenn Meeks, Vice President of Administration and Finance  
  
Patrick B. Cage, General Counsel

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY**

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANTS' REPORTS**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	29	34
Repeated findings	16	22
Prior recommendations implemented or not repeated	18	19

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FINDINGS (GOVERNMENT AUDITING STANDARDS)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-1	21	Uncollateralized Deposit Accounts	Significant Deficiency
12-2	22	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency
12-3	24	Financial Statement Adjustments	Significant Deficiency

**FINDINGS (FEDERAL COMPLIANCE)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-4	26	Head Start Cluster	Material Weakness / Material Noncompliance
12-5	28	Policies And Controls Over Satisfactory Academic Progress	Material Weakness / Noncompliance
12-6	31	Student Financial Assistance Not Reconciled on a Monthly Basis	Material Weakness / Noncompliance
12-7	33	Student Financial Aid Awarded to Students at Unreported Locations	Material Weakness / Noncompliance
12-8	34	Trio Cluster	Material Weakness / Noncompliance

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY**

**COMPLIANCE REPORT**

**SUMMARY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**FINDINGS (FEDERAL COMPLIANCE) (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-9	36	Financial Aid Awarded to Ineligible Student	Significant Deficiency / Noncompliance
12-10	38	Inadequate Controls Over Submission of Loan Related Documents and Notices	Material Weakness / Noncompliance
12-11	40	Return of Title IV Funds	Significant Deficiency / Noncompliance
12-12	42	Federal Pell Grant Not Recalculated	Significant Deficiency / Noncompliance
12-13	44	Inadequate Controls Over Student Verification	Significant Deficiency / Noncompliance
12-14	46	Inadequate Controls and Noncompliance With Requirements Applicable to the Strengthening Minority-Serving Institutions Program	Significant Deficiency / Noncompliance
12-15	48	Due Diligence for Perkins Loan Recipients in Deferment	Significant Deficiency / Noncompliance
12-16	50	Institutional and Financial Assistance Information Disclosed to Students	Significant Deficiency / Noncompliance
12-17	54	Inaccurate Completion of the Fiscal Operations Report	Significant Deficiency / Noncompliance
12-18	56	Controls Over Exit Counseling	Significant Deficiency / Noncompliance
12-19	57	Federal Perkins Loan Cohort Default Rate Too High	Significant Deficiency / Noncompliance
12-20	58	Controls Over Compliance With the Personnel Development to Improve Services and Results for Children With Disabilities Award Requirements	Significant Deficiency / Noncompliance
12-21	60	Controls Over Reporting for the Family and Community	Significant Deficiency / Noncompliance



**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY**

**COMPLIANCE REPORT**

**SUMMARY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**FINDINGS (STATE COMPLIANCE)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
12-22	61	Tuition Diverted to Accounting Entity	Significant Deficiency / Noncompliance
12-23	63	Subsidies Between Accounting Entities and to the University Related Organization	Significant Deficiency / Noncompliance
12-24	65	Inadequate Controls Over Contracting Procedures	Significant Deficiency / Noncompliance
12-25	68	Voucher Processing Errors	Significant Deficiency / Noncompliance
12-26	71	Time Sheets Not Maintained in Compliance With State Officials and Employees Ethics Act	Significant Deficiency / Noncompliance
12-27	72	Inaccurate Data for Quarterly Summary of Accounts Receivable	Significant Deficiency / Noncompliance
12-28	74	Failure to Comply With the Identity Protection Act	Significant Deficiency / Noncompliance
12-29	75	Computer Security Weaknesses	Significant Deficiency / Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

12-1	21	Uncollateralized Deposit Accounts	Significant Deficiency / Noncompliance
12-2	22	Inaccurate Accounting of Accrued Compensated Absences	Significant Deficiency / Noncompliance
12-3	24	Financial Statement Adjustments	Significant Deficiency / Noncompliance

**PRIOR FINDINGS NOT REPEATED**

A	77	Suspended Academic Policy Resulted in Overstated Liability on the Financial Statements
B	77	Inaccurate Accounting for Participation in Public Entity Risk Pool

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY

COMPLIANCE REPORT

SUMMARY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**PRIOR FINDINGS NOT REPEATED (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
C	77	Head Start Subrecipient
D	77	Inadequate Controls over Preparation of a Complete and Accurate Schedule of Expenditures of Federal Awards
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F	78	Costs Charged to Research and Development Cluster
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I	79	Notification of Disbursement
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R	80	Inadequate Controls Over "Incomplete" Grade Process

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY**

**COMPLIANCE REPORT**

**SUMMARY**

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with University personnel at an exit conference on February 21, 2013. Attending were:

Representing Chicago State University

President  
Chief of Staff  
Vice President of Administration and Finance  
Provost and Senior Vice President for Academic Affairs  
Associate Vice President Sponsored Programs  
Chief Internal Auditor  
Director of Compliance  
Vice President of Enrollment Management and Student Affairs  
Vice President of Labor and Legal Affairs and General Counsel  
Ethics and Diversity Officer and Special Counsel to the President  
Chief Information Officer

Dr. Wayne Watson  
Dr. Napoleon Moses  
Mr. Glenn Meeks  
Dr. Sandra Westbrook  
Dr. Yvonne Harris  
Mr. Ken Clow  
Ms. Carla Davis  
  
Ms. Angela M. Henderson  
  
Mr. Patrick B. Cage  
  
Ms. Bernetta D. Bush  
Mr. Prashant D. Shinde

Representing Borschneck, Pelletier & Co.

Partner  
Manager  
Senior Accountant  
IT Specialist

Mr. Paul A. Pelletier, CPA  
Mr. Robert Sikma, CPA  
Ms. Kristin Stojcevski, CPA  
Mr. James Flanagan

Representing the Office of the Auditor General

Audit Manager  
IS Audit Manager (via teleconference)

Mr. Thomas L. Kizziah, CPA  
Ms. Kathleen Devitt, C.I.S.A.

Responses to the recommendations were provided by Mr. Glenn Meeks in correspondences dated February 22, 2013 and February 27, 2013.

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Trustees  
Chicago State University

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Chicago State University's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2012. The management of Chicago State University is responsible for compliance with these requirements. Our responsibility is to express an opinion on Chicago State University's compliance based on our examination.

- A. Chicago State University has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Chicago State University has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. Chicago State University has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by Chicago State University are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by Chicago State University on behalf of the State or held in trust by Chicago State University have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about Chicago State University's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Chicago State University's compliance with specified requirements.

In our opinion, Chicago State University complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as findings 12-1 through 12-3 and 12-22 through 12-29.

### Internal Control

The management of Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered Chicago State University's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago State University's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as findings 12-1 through 12-3 and 12-22 through 12-29. A *significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

Chicago State University's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not examine Chicago State University's responses and, accordingly, we express no opinion on the responses.

### Supplementary Information for State Compliance Purposes

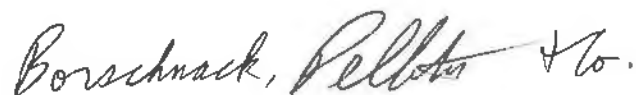
As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit, a component unit of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise Chicago State University's basic financial statements, and have issued our report thereon dated March 1, 2013, which contained unqualified opinions on those financial statements. Our report was modified to include reference to another auditor. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chicago State University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 1, 2013.

The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Chicago State University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 13 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 13 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, Chicago State University's basic financial statements for the year ended June 30, 2011. In our report dated March 2, 2012, we expressed unqualified opinions on the respective financial statements of the business-type activities of Chicago State University and its discretely presented component unit. The accompanying supplementary information for the year ended June 30, 2011 in Schedules 4 through 9, 11, and 12 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The accompanying supplementary information for the year ended June 30, 2011 in Schedules 4 through 9, 11, and 12 has been subjected to the auditing procedures applied in the audit of the June 30, 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2011 in Schedules 4 through 9, 11, and 12 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is the responsibility of management and is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, University management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 1, 2013



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Trustees  
Chicago State University

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated March 1, 2013. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Another auditor audited the financial statements of the University's discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

Management of the Chicago State University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Chicago State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of Chicago State University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chicago State University's internal control over financial reporting.

*A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as

defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings as findings 12-1, 12-2, and 12-3 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chicago State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Chicago State University's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Chicago State University's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 1, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL  
CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland  
Auditor General  
State of Illinois

and

Board of Trustees  
Chicago State University

Compliance

As Special Assistant Auditors for the Auditor General, we have audited Chicago State University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Chicago State University's major federal programs for the year ended June 30, 2012. Chicago State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chicago State University's management. Our responsibility is to express an opinion on Chicago State University's compliance based on our audit.

The schedule of expenditures of federal awards and our audit described below does not include expenditures of federal awards for those agencies determined to be component units of Chicago State University for financial statement purposes.

We did not audit Chicago State University's compliance with the requirements governing the student loan repayments special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. We also did not test Chicago State University's compliance with the requirements governing the enrollment reporting special tests and provisions compliance requirement in accordance with the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement. Those requirements govern functions performed by University Accounting Service, LLC (UAS), Educational Computer Systems, Inc. (ECSI), and National Student Clearinghouse (NSC). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. UAS's compliance with the requirements governing the functions that it performed for Chicago State University for the year ended June 30, 2012 was examined by the accountants for the servicer in accordance with sections II and IV of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. ECSI's compliance with the requirements governing the functions that it performed for Chicago State University for the year ended June 30, 2012 was examined by the accountants for the servicer in accordance with sections II and IV of the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. NSC's compliance with the requirements

functions that it performed for Chicago State University for the year ended June 30, 2012 was examined by the accountants for the servicer in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants for the servicer examinations of UAS's and NSCs compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chicago State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chicago State University's compliance with those requirements.

#### Qualification (Noncompliance)

As described in Finding 12-4 in the accompanying schedule of findings and questioned costs, Chicago State University did not comply with the matching requirements applicable to its Head Start Cluster program. Compliance with such requirement is necessary, in our opinion, for the Chicago State University to comply with the requirements applicable to the identified major program.

In our opinion, except for the noncompliance described in the preceding paragraph, Chicago State University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 12-5 through 12-21.

#### Internal Control Over Compliance

The management of Chicago State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Chicago State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chicago State University's internal control over compliance.

Requirements governing the student loan repayments special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement were performed by UAS and ECSI. Requirements governing the enrollment reporting special tests and provisions compliance requirement of the Student Financial Assistance Cluster: Federal Direct Student Loan and Federal Family Education Loan programs as described in the Compliance Supplement were performed by NSC. Internal control over compliance related to such functions for the year ended June 30, 2012 was reported on by accountants for the servicers in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the accountants' for the servicers testing of UAS', ECSI's, and NSC' internal control over compliance related to such functions.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed

weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 12-4 through 12-8 and 12-10 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 12-9 and 12-11 through 12-21 to be significant deficiencies.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities of Chicago State University and its discretely presented component unit, collectively a component unit of the State of Illinois, as of and for the year ended June 30, 2012, which collectively comprise Chicago State University's basic financial statements and have issued our report thereon dated March 1, 2013. Our report was modified to include a reference to another auditor. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Chicago State University's basic financial statements. We have not performed any procedures with respect to the financial statements subsequent to March 1, 2013. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chicago State University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Chicago State University's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees, University management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 1, 2013

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: unqualified opinions

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes   X   no
- Significant deficiency (ies) identified that are not considered to be material weaknesses?   X   yes \_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?   X   yes \_\_\_ no
- Significant deficiency (ies) identified that are not considered to be material weakness(es)?   X   yes \_\_\_ none reported

Type of auditors' report issued on compliance for major programs: see below

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   yes \_\_\_ no

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	<u>Type of Auditors' Report on Compliance</u>
Student Financial Assistance Cluster		Unqualified
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Work Study Program	84.033	
Federal Perkins Loan Program	84.038	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans Program	84.268	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	
Head Start Cluster		Qualified
Head Start	93.600	
Research & Development Cluster		Unqualified
Basic Scientific Research	12.431	
Development of Solar Cell I Systems	12.XXX	
Mathematical and Physical Sciences	47.049	
Biological Sciences	47.074	
Education and Human Resources	47.076	
ARRA - Trans- NSF Recovery Act Research Support	47.082	
Child Health and Human Development Extramural Research	93.865	
ARRA - Trans NIH Recovery Act Research Support	93.701	
Biomedical Research and Research Training	93.859	

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**I. SUMMARY OF AUDITORS' RESULTS (Continued)**

<u>Name of Federal Program or Cluster</u>	<u>CFDA No.</u>	<u>Type of Auditors' Report on Compliance</u>
TRIO Cluster		Unqualified
TRIO – Student Support Services	84.042	
TRIO – Talent Search	84.044	
TRIO – Upward Bound	84.047	
TRIO – Educational Opportunity Centers	84.066	
U.S. Department of Education:		
Strengthening Minority- Serving Institutions	84.382	Unqualified
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	Unqualified
U.S. Agency For International Development:		
USAID Foreign Assistance for Programs Overseas	98.XXX	Unqualified
Dollar threshold used to distinguish between type A and type B programs:		\$ <u>300,000</u>
Auditee qualified as low-risk auditee?		<u>    </u> yes <u>  x  </u> no

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FOR THE YEAR ENDED JUNE 30, 2012**

**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

**12-1 FINDING: UNCOLLATERALIZED DEPOSIT ACCOUNTS**

Chicago State University (University) maintained deposits (\$18,633,626) in excess of the Federal Deposit Insurance Coverage (FDIC) and pledged collateral.

The University's deposits (bank balances) at one of its financial institutions totaled \$18,883,641 at June 30, 2012. The FDIC plus pledged collateral coverage for these accounts totaled \$250,015, which left uninsured deposits of \$18,633,626.

The State Finance Act (30 ILCS 105/6a-1c(6)) requires the University to obtain a bond or pledged security whenever the University deposits funds with a bank and the amount of the deposit exceeds the federal deposit insurance coverage.

University officials stated there was miscommunication between the bank and the University. The University was operating under the understanding that the collateralization was in place. The University discovered after June 30 that collateralization was not in place and collateralization was obtained.

Failure to obtain collateral puts State funds at risk in the event that the financial institution should incur financial difficulties. (Finding Code No. 12-1)

**RECOMMENDATION**

We recommend the University obtain sufficient collateral to cover its deposit accounts.

**UNIVERSITY RESPONSE**

The University has obtained sufficient collateral to cover its deposit accounts. The University has prepared written procedures to ensure compliance with the collateralization requirements of the State Finance Act. The University agrees with the recommendation.

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**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

**12-2 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES**

Chicago State University (University) did not properly account for vested sick time absences of employees and did not properly calculate the accrued leave liability of the University.

We compared 100% of the employees' accrued sick leave days/hours as of June 30, 2012 to June 30, 2011 in order to ensure that there were not any increases in accrued vested sick days/hours for any employees. Since January 1, 1998, sick time no longer vests and should not be accrued as a compensated absence by the University. We noted 13 employees in which the accrued sick leave days/hours payable at June 30, 2011 was zero but a balance was present at June 30, 2012. The University had inadvertently left these employees' vested time off of the 2011 listing. We also noted another employee in which the number of days had been incorrectly transferred to the schedule used to calculate the accrued compensated absences liability. The schedule included the following for this employee:

Sick time payable <u>at June 30, 2011</u> 234.16 days (correct amount)	Sick time payable <u>at June 30, 2012</u> 239.16 days (incorrect amount)
--	--

These omissions of vested sick time at June 30, 2011 understated the accrued leave liability for the year ending June 30, 2011 and overstated the fiscal year 2012 expenses by approximately \$60,396. The June 30, 2012 accrual overstated the liability and expense by \$772. An adjusting entry was proposed to correct these misstatements.

We also tested a sample of 35 employees to determine if the University was properly accounting for leave time earned and used. The University maintains manual records to track employee leave days/hours. We noted two employees in our sample that were shorted sick time. One employee was shorted 7 hours and one employee was shorted 14 hours. Another employee's sick leave balance was overstated by 7 hours. One employee had a miscalculation of 1 day of over-accrued vacation. The amount of miscalculation was immaterial to the financial statements. Once brought to the University's attention, the employee records were corrected.

The State Finance Act (30 ILCS 105/14a(f)) states that sick leave accumulated on or after January 1, 1998 is not compensable at the time of the employee's death, retirement, resignation, or other termination of service.

Good business practices require the University to ensure controls are in place to properly record and summarize data correctly. This data is used for calculating compensation due to employees and determining compensated absence balances for financial reporting.

University officials stated that each one of the points mentioned above is currently a manual process. These exceptions are due to human error.

Failure to properly accumulate accrued leave records and calculate liabilities related to accrued compensated absences may cause errors in compensation to employees and results in inaccurate financial statements. (Finding Code Nos. 12-2, 11-3)

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**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

**12-2 FINDING: INACCURATE ACCOUNTING OF ACCRUED COMPENSATED ABSENCES (Continued)**

**RECOMMENDATION**

We recommend that the University improve its system for accumulating and calculating compensated absences to ensure records and reporting are accurate.

**UNIVERSITY RESPONSE**

The current manual process has been improved for the calculation and accumulation of compensated absences. In addition, the University will have an accounting firm to provide additional oversight and review until the implementation of an automated process. The automated process is scheduled to be in effect July 1, 2013. The University accepts the recommendation.



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**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

**12-3 FINDING: FINANCIAL STATEMENT ADJUSTMENTS**

Chicago State University posted adjustments to its financial statements based on estimated liabilities for significant questioned costs that related to noncompliance with Federal Award programs' compliance requirements (when considered in combination with other proposed audit adjustments).

During our audit of major Federal award programs, we noted questioned costs relating to noncompliance with Federal Award programs. We were required to consider these questioned costs' potential impact on the University's financial statements. Based on the experience with Federal awarding agencies from prior years, we proposed adjustments to the University's financial statements to record liabilities related to the questioned costs noted. When considered in the aggregate with other errors and likely misstatements noted in the financial audit, it appeared likely that the University's financial statements, as originally prepared, were materially misstated. Therefore, the University posted an adjustment to record a liability and expense relating to the following questioned costs:

- An estimated liability (\$191,117) for a questioned cost in the Head Start Cluster (which was passed through the City of Chicago), relating to in-kind matching requirements that were not complied with.
- An estimated liability (\$167,865) for questioned costs related to the Student Financial Assistance (SFA) Cluster. The questioned costs noted in the SFA Cluster findings were discounted based on past experience with the Department of Education.

According to accounting principles generally accepted in the United States of America (GAAP) an error in recognition, measurement, presentation or disclosure in financial statements resulting from an oversight at the time the financial statements were prepared is a misstatement, that if material, either individually or in the aggregate, would result in an adverse audit opinion on the financial statements.

The University's Board of Trustees and management share the ultimate responsibility for the University's internal control over financial reporting. This responsibility should include an adequate system of review of the completeness and accuracy of the University's financial statements and disclosures to ensure that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that (4) revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

University officials stated that adjusting entries were posted in order to ensure the integrity of the University's financial statements after the auditors' estimated liabilities, related to their audit of certain federal award programs, were noted.

In addition to jeopardizing future Federal funding, noncompliance with Federal regulations increases the likelihood that financial statements may be materially misstated due to the possibility of having to return Federal funding, or penalties that may be imposed. (Finding Code No. 12-3)

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**CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS**

**12-3 FINDING: FINANCIAL STATEMENT ADJUSTMENTS (Continued)**

**RECOMMENDATION**

We recommend that the University enhance its procedures to ensure that accounting records are properly evaluated (including estimates of contingent liabilities) and allow for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

**UNIVERSITY RESPONSE**

The University has improved its procedures to ensure that the University complies with all requirements applicable to Federally funded programs. FY 2012-2013 is a year of transition as Grants Accounting has been moved to report to the Financial Affairs Department. Prior practices have been evaluated which identified the underlying issues resulting in shortfalls. Standard procedures and processes are being developed that document the accounting treatment and management of “in kind” costs. Procedures will ensure costs are captured in a timely manner allowing for adjustments/correct resulting from shortfalls.

The University has now adopted a revised SAP Policy which provides for a financial aid warning period for students who, for the first time, fail to make SAP, thus eliminating the necessity for those students to file an appeal. The policy has been posted to the Financial Aid website along with the revised SAP petition form. Additionally, advisors and staff members have received mandatory training on the new policy and procedure to ensure compliance with the regulation. The University agrees with the recommendation.

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**CURRENT FINDINGS – FEDERAL COMPLIANCE**

**12-4 FINDING: HEAD START CLUSTER**

**Federal Department:** Department of Health and Human Services  
**CFDA Numbers:** 93.600  
**Program Name:** Head Start Cluster  
**Passthrough Entity:** City of Chicago  
**Award Number:** 18107 and 18137  
**Questioned Cost:** Known \$64,738 (Projected \$191,117 calculated as follows:  
Award 18107 – In-kind match not substantiated/allowed \$36,636/\$113,684 (required match) X \$341,054 (Total program expenditures) = \$109,909 (questioned cost) plus  
Award 18137 - In-kind match not allowed \$28,102/\$36,775 (required match) X \$106,271 (Total program expenditures) = \$81,208 (questioned cost))

Chicago State University (University) did not fully comply with the compliance requirements related to matching and reporting related to its award from the Department of Health and Human Services and passed through the City of Chicago.

We examined eight reports of the above noted awards (the University submits a monthly “Non-Federal Share (In-Kind) Report” for each of the awards noted above) and noted the following:

- The Non-Federal Share (In-Kind) Report for award number 18107 submitted for July 2011 reported total in-kind contributions for the month of \$15,284. The University could only substantiate \$14,962 (a difference of \$322). The University was unable to locate documents relating to the difference.

OMB Circular A-110 Section 53(b) states “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards, that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.”

We examined the final “Non-Federal Share (In-Kind) Report” for each award indicated above and noted that the University reported “Administrative In-Kind” in addition to the Program In-Kind (noted below) for the required “Program In-kind”. We specifically noted the following:

Award Number:	Program In-Kind Required	Program In-Kind Reported
18107	\$113,684 *	\$77,095
18137	\$ 36,775	\$ 8,673

\* The Program in-Kind Required has been adjusted proportionately based on actual award expenditures compared to the full award amount.

The University did not fully satisfy the program in-kind required by the grantor in the award budget summaries.

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**CURRENT FINDINGS – FEDERAL COMPLIANCE**

**12-4 FINDING: HEAD START CLUSTER (Continued)**

The Delegate Agency Grant Agreement for the Head Start program, Article 2.5, requires the University to contribute to the payment of expenses as described in the budget summary in the grant agreement. Article 3.1 requires the University to carry out services in accordance with the budget summary.

University officials stated that due to a loss of personnel, the University's staffing was insufficient to properly monitor the program. As a consequence, the monthly monitoring of in-kind support from parent volunteers at each childcare facility was not done in a timely fashion.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code No. 12-4)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure that the University complies with all requirements applicable to its Federally funded programs.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has improved its procedures to ensure that the University complies with all requirements applicable to Federally funded programs. FY 2012-2013 is a year of transition as Grants Accounting has been moved to report to the Financial Affairs Department. Prior practices have been evaluated which identified the underlying issues resulting in shortfalls. Standard procedures and processes are being developed that document the accounting treatment and management of "in kind" costs. Procedures will ensure costs are captured in a timely manner allowing for adjustments/corrections resulting from shortfalls.

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**CURRENT FINDINGS – FEDERAL COMPLIANCE**

**12-5 FINDING: POLICIES AND CONTROLS OVER SATISFACTORY ACADEMIC PROGRESS**

<b>Federal Department:</b>	<b>U.S. Department of Education U.S. Department of Health and Human Services</b>
<b>CFDA Numbers:</b>	<b>84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.925</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Questioned Cost:</b>	<b>\$7,769 (known) (projected \$841,488 calculated as follows: \$7,769 (Federal error noted in sample) / \$755,740 (sample size) X \$81,856,901 (total Federal Financial aid expenditures))</b>

Chicago State University (University) did not comply with its own “written” and published policies regarding appeals of students who were initially suspended from Federal student financial assistance (SFA) due to lack of Satisfactory Academic Progress (SAP).

We tested a sample of 60 students receiving Federal SFA and noted two students who received Federal SFA even though their SAP appeals did not satisfy the written criteria established by the University.

- One of the student’s Federal SFA was cancelled for not meeting the 2.0 cumulative GPA requirement. The student appealed and was awarded Federal SFA of \$8,995. The mitigating circumstance noted in the appeal was that the student claimed that they were not aware that their GPA had fallen below the 2.0 Guideline. The appeal also did not include a multi-term academic plan. No questioned costs were reported for this student because the student’s SFA would have been allowable if the University’s policy mirrored the Federal regulations and made use of financial aid warnings.
- One of the students noted above had already attempted 183 credit hours and exceeded the maximum number of attempted credit hours (180 hours) based upon their degree. The student’s SFA was cancelled, but was granted an appeal and awarded \$7,769 in SFA even though the University’s written policy does not specifically address appeals related to maximum time frame. In addition, the appeal submitted and approved did not identify qualifying mitigating circumstances (as noted above) or include a multi-term academic plan for the student. This student’s SFA is included in the questioned cost above.

The University’s Financial Aid: Satisfactory Academic Progress Policy (Effective July 2011) states: “Chicago State University’s SAP policy includes both qualitative and quantitative measures. Failure to meet any one of the criteria will result in the cancellation of the student’s financial aid award for current and/or future semesters. ... The required number of credit hours does vary based upon degree, so the maximum number of credit hours that a student may attempt will vary in some cases. If at the time when SAP is reviewed at the conclusion of each enrolled semester it is determined that a student has exceeded the maximum number of attempted credit hours based upon their degree, the student’s aid will be cancelled....Petition Procedures: Students who fail to make Satisfactory Academic Progress may petition for reinstatement of financial aid eligibility to the Financial Aid Appeals Committee. The student must document mitigating circumstances such as injury, illness, and death in the family or other emergencies and include a multi-term Academic Plan, approved by the student’s advisor, to regain eligibility of 67% completion rate of hours earned/attempted and 2.0 cumulative GPA.”

The Code of Federal Regulations (34 CFR 668.34 (b)) states the following definitions: “*Financial aid probation*- Financial aid probation means a status assigned by an institution to a student who fails to make SAP and who has appealed and has had eligibility for aid reinstated. *Financial aid warning* –

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**CURRENT FINDINGS – FEDERAL COMPLIANCE**

**12-5 FINDING: POLICIES AND CONTROLS OVER SATISFACTORY ACADEMIC PROGRESS (Continued)**

Financial aid warning means a status assigned to a student who fails to make satisfactory academic progress at an institution that evaluates academic progress at the end of each payment period. *Maximum timeframe* - Maximum timeframe means – (1) For an undergraduate program measured in credit hours, a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours.”

The University’s written and published policy does not provide for financial aid warnings as defined in the Federal regulations. However, actual practice at the University more closely conforms to the Federal regulations than their own policy. In actual practice, the University cancels a student’s aid when the student first fails to satisfy the SAP policy. However, all students’ first appeals are approved regardless of the circumstances. (Similar to a financial aid warning as define above.)

The Code of Federal Regulations (34 CFR 668.34 (a)(9)(ii)) further states “The basis on which a student may file an appeal: The death of a relative, an injury or illness of the student or other special circumstances; and (iii) Information the student must submit regarding why the student failed to make SAP, and what has changed in the student’s situation that will allow the student to demonstrate satisfactory academic progress at the next evaluation.”

The Code of Federal Regulations (34 CFR 668.34 (d)(2)) states “The institution may place the student on financial aid probation and may disburse title IV, HEA program funds to the student for the subsequent period if –

- (i) The institution evaluates the student and determines that the student is not making SAP;
- (ii) The student appeals the determination; and
- (iii) (A) The institution determines that the student should be able to make SAP during the subsequent payment period and meet the institution’s SAP standards at the end of that payment period; or
- (B) The institution develops an academic plan for the student that, if followed, will ensure that the student is able to meet the institution’s satisfactory academic progress standards by a specific point in time.”

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include written and published policies that conform to the Federal regulations and are adhered to by the University.

University officials stated that the University required students who did not meet SAP standards for the first time to complete a financial aid petition. The petition served as an additional notification to students that they were out of compliance and at risk of losing their financial aid eligibility if deliberate changes were not made by the end of the next term. The Department of Education’s (ED) SAP regulations allow students not meeting SAP after one term enter into warning status, those who have two consecutive terms of SAP will have their financial aid terminated. The ED does not require a petition or academic plan for students not meeting SAP the first time, however notification of SAP status is required for all students.

As a means of educating all students who did not meet SAP, the University utilized the same form to address both SAP classifications: those that did not meet SAP for the first time (warning) and those that did not meet for two consecutive terms (termination). For both students in question, the

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**12-5 FINDING: POLICIES AND CONTROLS OVER SATISFACTORY ACADEMIC PROGRESS (Continued)**

University officials utilized their professional judgment to determine if the student met the conditions for financial aid in the subsequent term.

An internal review from the perspective of Federal financial aid guidelines was used to determine the aid awarded. For the first student cited, lack of knowledge and implications of the policy were the reasons cited on the student's petition for the first time violation. For the second student cited, the professional judgment was based on the student's petition citing institutional transfer and change of major which resulted in exceeding the 180 credit hour limitations for SAP calculation.

Maintaining a written and published SAP policy is essential for compliance with Federal regulations. Adherence to those published policies is essential to alleviate confusion between students and employees and assists in overall transparency of operations. (Finding Code No. 12-5).

**RECOMMENDATION**

We recommend the University fully adhere to its written and published SAP policy.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has now adopted a revised SAP Policy which provides for a financial aid warning period for students who, for the first time, fail to make SAP, thus eliminating the necessity for those students to file an appeal. The policy has been posted to the Financial Aid website along with the revised SAP petition form. Additionally, advisors and staff members have received mandatory training on the new policy and procedure to ensure compliance with the regulation.

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**12-6 FINDING: STUDENT FINANCIAL ASSISTANCE NOT RECONCILED ON A MONTHLY BASIS**

<b>Federal Department:</b>	<b>U.S. Department of Education U.S. Department of Health &amp; Human Services</b>
<b>CFDA Numbers:</b>	<b>84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.925</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Questioned Cost:</b>	<b>Undetermined</b>

Chicago State University (University) did not reconcile its student financial assistance (SFA) awards and expenditures on a monthly basis.

We requested the University provide us with their October 2011, February 2012, and June 2012 monthly reconciliations of program and fiscal records related to all programs of their Student Financial Assistance Cluster (including documentation of amounts being reconciled). After some time and several requests, the University provided us with reconciliations for Federal Direct Loan, Federal PELL, Federal Perkins Loan, Federal Work Study, Federal Supplemental Educational Opportunity Grant, and Teacher Education Assistance for College and Higher Education (TEACH), however there was no evidence that records had been reconciled monthly throughout the year. We also noted the following:

- Although a reconciliation of Federal PELL was provided, certain information used in the reconciliation could not be verified and agreed to external records. There was no evidence that the University had reconciled to the Department of Education's (ED) Common Origination and Disbursement System (COD).
- Although a reconciliation of Federal Direct Loan was provided, there was no evidence of reconciliation to COD or that monthly reconciliations of the Direct Loan School Account Statement (DLSAS) were performed.
- For the Federal Supplemental Educational Opportunity Grant reconciliation, the University did not provide any of ED's G-5 drawdown data.
- For the Federal Work Study, the University did not provide any of ED's G-5 drawdown data and the amount reconciled to differed from the University's expenditure records by \$26.
- For the Federal Perkins Loan, the October 2011 reconciliation included the same reconciling items as the June 2012 reconciliation. There was no evidence that the University attempted to resolve these reconciling items with its Federal Perkins Loan Servicer prior to July 2012.
- We never received the February 2012 reconciliation for Teacher Education Assistance for College and Higher Education (TEACH) grants and the University did not provide any of ED's G-5 drawdown data.
- We never received any of the Scholarships for Health Professions Students from Disadvantaged Backgrounds reconciliations.

The U.S. Department of Education's "The Blue Book: *Accounting, Recordkeeping and Reporting by Postsecondary Educational Institutions Participating in the Federal Student Aid Programs*" requires the University to perform monthly reconciliations of program records, fiscal records and draw downs.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the program records are reconciled to the fiscal records on a monthly basis.



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**12-6 FINDING: STUDENT FINANCIAL ASSISTANCE NOT RECONCILED ON A MONTHLY BASIS (Continued)**

University officials stated a change in oversight of the monthly reconciliations occurred during the audit period. Oversight was centralized into one department. A monthly reconciliation for one program was not performed during the transition.

Failure to properly reconcile program and fiscal records is a violation of Federal regulations and could result in a loss of Federal funding. (Finding Code Nos. 12-6, 11-8, 10-8, 09-5, and 08-12)

**RECOMMENDATION**

We recommend the University properly reconcile all student financial awards to the University's fiscal records for each student financial assistance program on a monthly basis and retain documentation of the data being reconciled.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and is properly reconciling all student financial awards monthly. Resources have been expanded and improved to facilitate ongoing monthly reconciliation of financial aid to students. As these programs cross departments, there is an ongoing demand for effective communication and cooperation among internal departments so that the accountants have the requisite data to complete the monthly reconciliations. The University is committed to leveraging these renewed resources to gain control of the programs and data and ensure timely and accurate reconciliations on a monthly basis.

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12-7 **FINDING:** STUDENT FINANCIAL AID AWARDED TO STUDENTS AT UNREPORTED LOCATIONS

<b>Federal Department:</b>	U.S. Department of Education U.S. Department of Health and Human Services
<b>CFDA Numbers:</b>	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.925,
<b>Program Name:</b>	Student Financial Aid Cluster
<b>Questioned Cost:</b>	\$127,176 known

Chicago State University (University) awarded Title IV student financial aid to students at unreported locations.

Our testing of the United States Department of Education (ED) School Participation Management Division, Eligibility and Certification Approval Report disclosed 5 offsite locations where Chicago State University was providing education courses that were not reported to ED prior to providing Title IV funds to students at the locations. The University provided a listing of students receiving Title IV student financial aid at these locations during FY 2012 that totaled \$127,176.

The Code of Federal Regulations (34 CFR 600.21(a)) states “*Reporting requirements.* Except as provided in paragraph (b) of this section, an eligible institution must report to the Secretary in a manner prescribed by the Secretary no later than 10 days after the change occurs, of any change in the following: ... (3) Its establishment of an accredited and licensed additional location at which it offers or will offer 50 percent or more of an educational program if the institution wants to disburse Title IV, HEA program funds to students enrolled at that location under the provisions in paragraph (d) of this section.... (d) *Disbursement rules related to additional locations.* When an institution must report to the Secretary about an additional location under paragraph (a)(3), the institution may not disburse Title IV, HEA funds to students at that location before it reports to the Secretary about that location.”

University officials stated that the disbursements occurred because staff was still in the midst of implementing the prior year corrective action plan and automating the process which included training on all the steps required for the reporting of a new location.

Failure to properly report additional locations to ED before disbursing student financial aid may jeopardize future Federal funding. (Finding Code Nos. 12-7, 11-7).

**RECOMMENDATION**

We recommend the University properly report all offsite locations to the Department of Education, prior to disbursing Title IV funds at those locations.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has developed a Corrective Action Plan to address the process for reporting an offsite location. This plan outlines the work flow between all major University units, indicates the personnel who are assigned essential duties, and identifies the required approvals for off-site locations. Further, this plan ensures that every unit understands the University’s obligations and will prevent programs from being held off campus without proper internal and external authorization.

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**12-8 FINDING: TRIO CLUSTER**

<b>Federal Department:</b>	<b>Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.042, 84.044, 84.047, and 84.066</b>
<b>Program Name:</b>	<b>TRIO Cluster</b>
<b>Questioned Cost:</b>	<b>\$44,277 (all expenditures for 84.044)</b>

Chicago State University (University) did not fully comply with the compliance requirements related to eligibility, earmarking, and reporting related to its TRIO Cluster award from the Department of Education.

We noted during our audit of the TRIO – Talent Search Program (CFDA Number 84.044), that the University was unable to provide supporting documentation:

- to test the eligibility of beneficiaries,
- to test compliance with earmarking requirements, and
- to determine the accuracy of reports related to this award.

Therefore, the entire 2012 expenditures for the Talent Search Program are being reported as a questioned cost (\$44,277).

During our review of all the reports submitted for the TRIO Cluster, we noted the following:

- The Annual Performance Report for the TRIO – Talent Search Program was completed on December 29, 2011. However, the report was due to the Department of Education by November 29, 2011 (30 days late).
- The Annual Performance Report for the TRIO – Student Support Services was submitted; however, the University did not retain evidence that the report was approved by the Provost (or designee) as described in the University’s controls over compliance with programmatic reporting.

The Instructions for Completing the Annual Performance Report for the Talent Search Program states that the report is due 90 days after the end of the 12-month budget period. The budget period ended on August 31, 2011.

OMB Circular A-110 Section 53(b) states “Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards, that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.”

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that all applicable laws and regulations are complied with.

University officials stated that in August of 2011 the Talent Search Program ended and all staff members were terminated. In the months following, the University became aware that the database server containing the Talent Search records was being housed in the Program’s office. In an attempt to move the server to a more suitable location, the server was damaged during the move. An attempt was made to recover the database, however the data was unrecovered. Therefore, Program rosters could not be retrieved from the damaged server. The termination of the program staff led to

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**12-8 FINDING: TRIO CLUSTER (Continued)**

the late completion of the Annual Performance Report. With respect to the Student Support Services program report, the University certifying official did not sign the form.

Failure to comply with Federal requirements may result in disallowed program costs and jeopardize future Federal funding. (Finding Code No. 12-8)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure that the University complies with all requirements applicable to its Federally funded programs.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has a corrective action plan in place to ensure that all annual reports are submitted on a timely basis, and all program records are maintained and secured for the mandatory number of years as deemed by the federal regulation.

To implement this corrective action plan, staff retraining and succession planning is taking place to avoid late submission of reporting due to staff transition. Additionally, improved data backup technology is now in place to provide assurance that all program records are maintained. Hard copy documentation of the same is also filed monthly from program rosters.

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**12-9 FINDING: FINANCIAL AID AWARDED TO INELIGIBLE STUDENT**

<b>Federal Department:</b>	U.S. Department of Education U.S. Department of Health and Human Services
<b>CFDA Numbers:</b>	84.007, 84.033, 84.038, 84.063, 84.268, 87.379, 93.925
<b>Program Name:</b>	Student Financial Assistance Cluster (Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work Study (FWS), Federal Perkins Loan Program (FPL), Federal Pell Grant Program (PELL), William D. Ford Federal Direct Loan Program (FDL), Teacher Education Assistance for College and Higher Education Grants (TEACH Grants), Scholarships for Health Professions Students from Disadvantaged Backgrounds (SDS))
<b>Questioned Cost:</b>	\$8,998 known (The error was not projected because we performed additional procedures and concluded that this was an isolated occurrence.)

Chicago State University (University) did not ensure that all students receiving Federal Student Financial Assistance (SFA) met eligibility requirements of the U.S. Department of Education (ED).

During our testing of a sample of 60 students receiving student financial assistance, we noted that one student received a PELL grant and Federal Direct Loans. The student's "Institutional Student Information Report" (ISIR) had a warning "The National Student Loan Data System (NSLDS) indicates that you are in DEFAULT on one or more federal student loans. You are not eligible to receive any federal student aid until you resolve any loan default(s)".

The Code of Federal Regulations (34 CFR 668.32) states a student is eligible to receive Title IV, HEA program assistance if the student either meets all of the requirements in paragraphs (a) through (m) of this section or meets the requirement in the paragraph (n) of this section as follows: (g)(1) Is not in default, and certifies that he or she is not in default, on a loan made under any title IV, HEA loan program.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that eligibility requirements have been satisfied.

University officials stated that the student was initially awarded financial aid based upon an ISIR that did not reflect a default loan status. Subsequently, a new ISIR loaded into the computer system from ED with the default coding, resulting in the student's Pell grant being reversed from the student's account. An override was entered on the student's account, allowing the student's Title IV funding to be reinstated. The review of the student's account, that did not reveal the default code, was flawed as a result of human error.

Awarding aid to an ineligible student resulted in noncompliance with the SFA Cluster eligibility requirement and may result in a loss of future Federal funding. (Finding Code Nos. 12-9, 11-15, 10-11)

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**12-9 FINDING: FINANCIAL AID AWARDED TO INELIGIBLE STUDENT (Continued)**

**RECOMMENDATION**

We recommend the University improve its controls to ensure that each student meets the eligibility requirements prior to awarding (or reinstating) aid.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has implemented a corrective action plan to meet the standards of the regulation. As such, reports will be run monthly by a Financial Aid staff member or Assistant Director to ensure that students who have a default code attached to their record, and have funds paid out, have the proper documentation in their file to justify the override which enabled funding to be applied to the student's account. Reports will be reviewed by at least two qualified members of the Financial Aid staff, including an Assistant Director. Should a discrepancy in the student's record be found in the report, the student will be notified of this discrepancy and required to provide needed information. A Financial Aid staff member will correct the discrepancy and adjust the student's record in the Banner system. The monthly report and documentation of any corrected discrepancy will be submitted to the AVP of Enrollment Management by the 5th of every month for review.

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**12-10 FINDING: INADEQUATE CONTROLS OVER SUBMISSION OF LOAN RELATED DOCUMENTS AND NOTICES**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.038</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster (Federal Perkins Loan)</b>
<b>Questioned Cost:</b>	<b>None noted</b>

Chicago State University (University) did not timely report to the University's Federal Perkins Loan Servicer (FPLS) that a student was no longer attending the University. We also noted from the University's Federal Perkins Loan reconciliation that the University is carrying reconciling items for loans to 8 students that have been recorded in error by the FPLS.

We selected and tested 4 students that had received Federal Perkins Loans but were no longer attending the University. We noted the following:

- For one student receiving a Federal Perkins Loan, we noted that the University had not notified the FPLS as of March 31, 2012 that the student was no longer attending the University. (This is the same student noted in Finding 12-18.) The student had last attended the University during the spring 2011 semester yet the FPLS still showed the student as enrolled on the March 31, 2012 loan journal. The student's first payment should have been due on March 1, 2012. As of September 30, 2012, this student had already been reported as past due to the credit bureau, and was already being assessed interest and late fees by the FPLS on his actual loan as well as another loan (as noted below) that he/she was never awarded.

The University's internal control procedure over compliance is that the Associate Vice President of Administration and Finance will update student information to FPLS within 30 days of graduation, or for non-returning students, after the tenth day of the subsequent fall or spring semester.

During our testing of the June 30, 2012 Perkins Loan reconciliation, we noted the following:

- The reconciliation included reconciling items for loans to 8 students that were recorded in error by the FPLS. The University provided a copy of an e-mail message to the FPLS dated July 20, 2012 to correct the errant loan records, however as of the September 30, 2012 loan journal, they have not yet been corrected. The e-mail indicates that these errant loans show dates of advance predominantly in fiscal year 2010 and 2011. Of the eight students noted, only three were still attending the University during fiscal year 2012 and therefore were not yet in repayment. One of the students is the student in the bullet point noted above. For the remaining four students, three of the students had not attended the University since the spring 2011 semester and one had not attended since the summer 2011 semester and all should be in repayment. The FPLS's September 2012 loan journal still indicates that these four borrowers are enrolled students.

The FPLS contract states that the University agrees to transmit to the FPLS all new loans, advances, separation dates, name or address changes, and payments received by the University. Said transmittals shall be submitted on FPLS input forms (or other agreed upon method) according to the FPLS client input procedures, in a timely and accurate manner.

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**12-10 FINDING: INADEQUATE CONTROLS OVER SUBMISSION OF LOAN RELATED DOCUMENTS AND NOTICES (Continued)**

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the loan originations and separations are properly and timely reported to the FPLS.

University officials stated a transition in departmental staffing adversely affected the timely posting of student data to the clearing house as well as notifications to FPLS during the period under review.

Failure to properly and timely report Federal Perkins Loan originations and separations to the FPLS results in students potentially being in default before they are even informed that it is time to begin repayment. (Finding Code No. 12-10)

**RECOMMENDATION**

We recommend the University timely report all loan originations and separations to the University's FPLS.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and is timely reporting all loan originations and separations to the university's loan provider service. The University is working diligently to ensure all policies and procedures are being followed.



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**12-11 FINDING: RETURN OF TITLE IV FUNDS**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.007, 84.033, 84.038, 84.063, 84.268, 84.379</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Questioned Cost:</b>	<b>\$190 known (projected \$842 calculated as follows: \$190 (error noted in sample) / 60 (withdrawals in sample) X 266 (total withdrawals))</b>

Chicago State University (University) did not properly calculate and remit the proper amount of “Title IV Funds” for students who withdrew from classes to the Department of Education (ED). In addition, the University could not provide evidence of a student’s withdrawal date.

Our review of 60 students who withdrew from classes revealed the following:

- For one student (2%), the University calculated the return of Title IV Funds as if the student attended class; however the student’s academic petition signed by the student states that the student never attended the University. All of the aid disbursed to the student should have been refunded to ED at the time of the determination. It was not refunded until 6.5 months later.
- Three additional refunds were not returned within 45 days.
- For one student (2%), the University did not include all the fees charged to the student in the calculation. The amount refunded by the University was short \$190.
- For one student (2%), the University could not provide the post mid-term drop/withdrawal form signed and dated by the student, therefore we were unable to audit the student’s “Return of Title IV funds calculation”.

The above items resulted in an amount still due to ED of \$190.

The Code of Federal Regulations states:

- (34 CFR 668.21 (a)) – If a student who does not begin attendance in a payment period or enrollment – (1) and (2) The University must refund all Title IV and Direct Loan funds credited to the student’s account.
- (34 CFR 668.22 (g)(ii)(2)) – ... institutional charges are tuition, fees, room and board and other educationally related expenses assessed by the institution.
- (34 CFR 668.22 (j)(1)) – An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution’s determination that the student withdrew as defined in paragraph (1)(3) of this section.
- (34 CFR 668.24 (c)(1)) – The documentation that an institution must maintain in order to comply with the provisions of this section include but are not limited to ... (iv) Documentation relating to each student’s or parent borrower’s receipt of Title IV funds, including but not limited to documentation of ... (C) the amount, date, and basis of the institution’s calculation of any refunds due on behalf of a student or ... (D) The payment of any overpayment or the return of any Title IV program funds to a lender or to ED as appropriate.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and

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**12-11 FINDING: RETURN OF TITLE IV FUNDS (Continued)**

program compliance requirements. Effective internal controls should include procedures to ensure that “Return of Title IV Funds” are calculated properly and remitted timely.

University officials stated that the documented process reflecting the required change, from the previous year, was not fully communicated to the staff who should have been able to perform necessary duties pertaining to the “Return of Title IV Fund” in the absence of the Director of the Registrar.

Failure to complete accurate refund calculations and timely remit Title IV refunds may jeopardize future Federal funding. (Finding Code Nos. 12-11, 11-9, 10-12)

**RECOMMENDATION**

We recommend the University implement adequate internal controls to ensure that all calculations are accurate and that refunds are made to ED in a timely manner.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has instituted a corrective action plan to ensure that all calculations are accurate and that refunds are made to the Department of Education timely. Staff has received mandatory training on the Return of Title IV Funds procedures to meet the standards of the regulation. Additionally, the University will have increased monitoring by compliance staff members to ensure that the regulations are being performed accurately. Lastly, the University will continue to improve the automation of the Return of Title IV Funds process to increase compliance.

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**12-12 FINDING: FEDERAL PELL GRANT NOT RECALCULATED**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.063</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster (Federal Pell Grant Program)</b>
<b>Questioned Cost:</b>	<b>\$4,700 known (The error was not projected because we performed additional procedures and concluded that this was an isolated occurrence.)</b>

Chicago State University (University) did not recalculate a student's Federal Pell Grant award after it received changes to the student's expected family contribution (EFC) as required by the U.S. Department of Education.

During our testing of a sample of 60 students receiving student financial assistance, we noted that 50 students received Federal Pell grants. One of these students received \$5,500 in Federal Pell grants based on a \$1 EFC. The student's "Institutional Student Information Report" (ISIR) showed an EFC of \$4,768. The maximum Pell amount available to the student should have been \$800. The student was over awarded \$4,700. The University adjusted the student's overaward in August 2012 after the matter was brought to the University's attention.

The Code of Federal Regulations (34 CFR 690.80(a)(1)) requires the University to recalculate a Federal Pell Grant award for the entire award year if the student's expected family contribution changes at any time during the award year.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that only allowable charges are recorded to the program.

University officials stated that the error occurred due to the locking of the Student Financial Aid record. Although the revised ISIR with the higher EFC was loaded into the student record system, the locking process of the student's account prevented it from attaching directly to the student's account. The locking process occurs upon the loading of the original ISIR. The revision subsequently was not loaded to the student's record. Had the ISIR attached to the student's record, a system generated recalculation of Pell eligibility would have occurred. The locking of this student's Financial Aid record should not have occurred and is attributed to human error.

The over awarding of a Federal Pell grant to a student resulted in noncompliance with the program and may result in a loss of future Federal funding. (Finding Code No. 12-12)

**RECOMMENDATION**

We recommend the University improve its controls to ensure that overrides do not block future ISIRs from loading into the computer system.

**UNIVERSITY RESPONSE**

The University agrees this recommendation and has implemented a corrective action plan to ensure that student Financial Aid records will only be locked for students who have completed the Federal

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**12-12 FINDING: FEDERAL PELL GRANT NOT RECALCULATED (Continued)**

Verification process. This will eliminate the possibility that updated ISIRs will not attach to student Financial Aid records properly.

Reports will be run monthly by a Financial Aid staff member or Assistant Director to ensure that only records of students who have completed the Federal Verification process have been appropriately locked. Reports will be reviewed by at least two qualified members of the Financial Aid staff, including an Assistant Director. Should a discrepancy in the student's record be found in the report, the student will be notified of this discrepancy and required to provide needed information. A Financial Aid staff member will correct the discrepancy and adjust the student's record in the Banner system. The monthly report and documentation of any corrected discrepancy will be submitted to the AVP of Enrollment Management by the 5<sup>th</sup> of every month for review.

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**12-13 FINDING: INADEQUATE CONTROLS OVER STUDENT VERIFICATION**

<b>Federal Department:</b>	<b>U.S. Department of Education U.S. Department of Health and Human Services</b>
<b>CFDA Numbers:</b>	<b>84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.925</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Questioned Cost:</b>	<b>None (already reported as questioned cost in Finding 12-12)</b>

Chicago State University's (University) procedures to complete verification when the student was selected by the U.S. Department of Education (ED) for verification were inadequate.

We tested a sample of 60 students receiving student financial assistance and noted that 21 of those students were selected for verification. We noted the following two exceptions to the University's verification procedures:

- One student's data was locked in the student financial aid (SFA) computer screen and the Institutional Student Information Report (ISIR) did not upload. Because of this fact, the student was not notified that he/she was required to complete the verification process and the verification was not completed.
- A second student's tax return information differed from the amounts reported on the ISIR. The verification documents showed a U.S. Income Tax paid of \$2,774 but the ISIR showed \$2,068 (the amount of the tax refund). We brought this error to the University's attention on July 17, 2012 and the student was awarded additional aid of \$75 on August 21, 2012.

The Code of Federal Regulations (34 CFR 668.54(a)) states ... (2)(i) "An institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary, to verify all the applicable items specified in §668.56".

The Code of Federal Regulations (34 CFR 668.56) states (a) "Except as provided in paragraphs (b), (c), (d), and (e) of this section, an institution shall require an applicant selected for verification under §668.54(a)(2) or (3) to submit acceptable documentation described in §668.57 that will verify or update the following information used to determine the applicant's EFC:... (2) U.S. income tax paid for the base year if base year data was used in determining eligibility."

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that student verifications are properly performed.

University officials stated that for Student #1 - The student was initially awarded financial aid based upon an ISIR which did not require that verification be conducted. Subsequently, the student made a correction to his ISIR which triggered verification. Although the revised ISIR was loaded into the student record system, the locking process prevented it from attaching directly to the student's account. A manual override to accept the new information was necessary, but not completed. Had the ISIR attached, a system generated notification of selection for verification and request for verification documents would have been sent to the student. All funding would have been placed on hold until which time that the verification process had been completed. The locking of this student's Financial Aid record without overriding to update the record with the new information should not have occurred and must be attributed to human error.

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**12-13 FINDING: INADEQUATE CONTROLS OVER STUDENT VERIFICATION (Continued)**

For Student #2 – An incorrect tax figure was used in the verification process, resulting in the student receiving slightly less financial aid funds than the student was entitled to. Verification is a manual process, and has been revised to include internal monitoring steps to validate the information before using it in the verification process. Therefore, this occurrence must be attributed to human error.

Lack of adequate controls to ensure that all selected student verifications are completed and are accurate increases the risk that students may be over or under awarded and may result in a loss of future Federal funding. (Finding Code No. 12-13)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure that students that have been selected for verification are accurately verified in accordance with U.S. Department of Education regulations.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has implemented a corrective action plan to ensure that student Financial Aid records will only be locked for students who have completed the Federal Verification process. This will eliminate the possibility that updated ISIRs will not attach to student Financial Aid records properly.

Reports will be run monthly by a Financial Aid staff member or Assistant Director to ensure that only records of students who have completed the Federal Verification process have been appropriately locked. Reports will be reviewed by at least two qualified members of the Financial Aid staff, including an Assistant Director. Should a discrepancy in the student's record be found in the report, the student will be notified of this discrepancy and required to provide needed information. A Financial Aid staff member will correct the discrepancy and adjust the student's record in the Banner system. The monthly report and documentation of any corrected discrepancy will be submitted to the AVP of Enrollment Management by the 5<sup>th</sup> of every month for review.

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**12-14 FINDING: INADEQUATE CONTROLS AND NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM**

<b>Federal Department:</b>	<b>Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.382</b>
<b>Program Name:</b>	<b>Strengthening Minority-Serving Institutions</b>
<b>Award Numbers:</b>	<b>P382D090004 / P382A110049</b>
<b>Questioned Cost:</b>	<b>Known \$1,923 including indirect cost on \$1,781 (projected \$23,500 calculated as follows: \$1,781 (error noted in sample) / \$66,754 (sample size) X \$880,799 (total expenditures))</b>

Chicago State University's (University) controls over the compliance requirements of allowable costs and cost principles applicable to its Strengthening Minority-Serving Institution program did not function as designed.

We tested 25 expenditures totaling \$66,754 and noted the following:

- Two employees were paid for services that were not performed. Upon examination of the attendance records and other documents for the pay periods selected in our sample, we noted that employees were paid for time that they did not work and the University's controls did not identify the inappropriate cost being charged to the Sponsored agreement. Specifically, we noted the following:
  - For one employee, a report of absence was completed and provided to the payroll office for the pay period informing them of the absence. This employee did not have any accrued leave available and should have resulted in a loss of pay; however, the employee received her normal paycheck (Questioned cost of \$1,549 including indirect costs (half a month)).
  - For the second employee, the employee attendance records indicated that the employee was absent for two days during the tested pay period. Accrued leave records did not indicate that any accrued leave was used for these days. The employee was still paid their regular semi-monthly pay (Questioned cost of \$374 including indirect costs for the two days absent).

OMB Circular A-21 Section J.10. provides for charging of compensation to a sponsored agreement for services of employees rendered on that agreement to the extent that the total compensation to individual employees conforms to established policies of the institution, consistently applied. University policies do not provide accrued leave to temporary administrative employees and require a "report of absence" to be submitted to the payroll office for all absences.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that only allowable costs determined under appropriate cost principles are charged to sponsored agreements.

University officials stated that paperwork (for the two employees reported as being paid for time not worked) was not received by HR/Payroll from the departmental unit until after HR/Payroll contacted the departmental unit as a result of the inquiry by the auditors. The paperwork of the leave of absence was submitted to HR/Payroll several months after the leave was taken.

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**12-14 FINDING: INADEQUATE CONTROLS AND NONCOMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE STRENGTHENING MINORITY-SERVING INSTITUTIONS PROGRAM (Continued)**

Failure of the University's controls to ensure compliance with Federal requirements increases the likelihood of unallowable program costs and may jeopardize future Federal funding. (Finding Code Nos. 12-14, 11-5, 10-18)

**RECOMMENDATION**

We recommend the University improve its controls to ensure that the University complies with requirements applicable to its Federally funded programs and correct the errors noted above.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation. The Office of Human Resources is developing a policy to address the recording of time worked by temporary administrators which included procedures for the submission of their time worked for the purpose of determining accurate compensation.



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**12-15 FINDING: DUE DILIGENCE FOR PERKINS LOAN RECIPIENTS IN DEFERMENT**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.038</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster (Federal Perkins Loan)</b>
<b>Questioned Cost:</b>	<b>None</b>

Chicago State University (University) did not maintain proper due diligence procedures related to the notifications to students in deferment under the Federal Perkins Loan (FPL) program.

We tested 10 students that were awarded a cancellation or deferment during the fiscal year. The University did not follow proper due diligence procedures for 2 (20%) of the students whose deferments were active during the fiscal year. During the fiscal year, these students (while they were in deferment) were sent letters telling them that they were in a post deferment grace period (which were inaccurate). These students should have received two post-deferment grace letters after their deferments ended, but there was no evidence that such letters were sent after their deferments ended. The University contracts with a Federal Perkins Loan Servicer (FPLS) to perform these notifications, however, it is still the University's responsibility to remain in compliance with the requirements of the Federal Perkins Loan program.

The Code of Federal Regulations (34 CFR 674.42(c)(1)(ii)) states– For loans with a six-month initial or post deferment grace period, the institution shall contact the borrower twice during the grace period.

The Code of Federal Regulations (34 CFR 674.42(c)(2)) states – (i) The institution shall contact the borrower for the first time 90 days after the commencement of any grace period. The institution shall at this time remind the borrower of his or her responsibility to comply with the terms of the loan and shall send the borrower the following information:

(A) The total amount remaining outstanding on the loan account, including principal and interest accruing over the life of the loan.

(B) The date and amount of the next required payment.

(ii) The institution shall contact the borrower the second time 150 days after the commencement of any grace period. The institution shall at this time notify the borrower of the date and amount of the first required payment.

The Code of Federal Regulations (34 CFR 674.48(b)) – An institution that contracts for performance of any duties under this subpart remains responsible for compliance with the requirements of this subpart in performing these duties, including decisions regarding cancellation, postponement, or deferment of repayment, extension of the repayment period, other billing and collection matters, and the safeguarding of all funds collected by its employees and contractors.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that students are properly notified of the applicable repayment information during their post-deferment grace period.

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**12-15 FINDING: DUE DILIGENCE FOR PERKINS LOAN RECIPIENTS IN DEFERMENT (Continued)**

University officials stated that a transition in departmental staffing adversely affected the timely review and analysis of transactions performed by the Federal Perkins Loan Servicer.

Failure to send the required notifications results in non-compliance with Federal regulations, could compromise the collectability of the loans, and could result in the loss of future Federal funding. (Finding Code No. 12-15)

**RECOMMENDATION**

We recommend the University improve its controls to ensure compliance with the notification requirements in accordance with the Federal regulations.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and is reviewing student accounts and working with internal departments and the new Federal Perkins Loan Servicer provider to ensure that students are properly notified of the applicable repayment information.

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**12-16 FINDING: INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION DISCLOSED TO STUDENTS**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.038, 84.033, 84.007, 84.063, 84.268, 84.379,</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster</b>
<b>Questioned Cost:</b>	<b>None</b>

Chicago State University (University) did not fully comply with the institutional and financial assistance information for students regulations as prescribed by the U.S. Department of Education (ED).

Our review of the University's reporting and disclosure information revealed the following:

- An annual (calendar year) fire safety report is required to be completed by October 1. The University completed the report; however, the report was not distributed to all enrolled students and current employees. Also, the report did not include information in it on how to obtain the University's annual security report.
- A current fire log was not maintained. We asked to view the current fire log for the University and were informed that a current one was not available. We were informed that the fire log is created after the end of the calendar year by communicating with the University Police Department.
- The annual security report was missing the following required content:
  - A notification to students that the University will change a victim's academic and living situations after a sex offense (if requested).
  - A statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary hearing and that the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense.
  - Sanctions that the University may impose following a final determination of the University's disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.
  - A statement of policy regarding the University's emergency response and evacuation procedures.
  - The report did not include information in it on how to obtain the University's annual fire safety report.
- The University did not distribute to all enrolled students an annual notice of availability of the general disclosures (financial assistance available and institutional information) for enrolled or prospective students or the report on athletic program participation rates and financial support data. For the completion and graduation rate information disclosed, the University did not disaggregate the information as required or explain why the information was not disaggregated. (The University disclosed most of this information on an Internet website, however, it failed to provide students with the exact electronic address where the information is posted.)

The Code of Federal Regulations states:

- (34 CFR 668.41 (e)(1)) – By October 1 of each year, an institution must distribute to all enrolled students and current employees its annual fire safety report through appropriate publications and mailings.

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**12-16 FINDING: INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION DISCLOSED TO STUDENTS  
(Continued)**

- (34 CFR 668.41 (e)(6)) – If an institution publishes the annual security report and annual fire report separately (which the University does), it must include information in each report on how to directly access the other report.
- (34 CFR 668.49 (d)) – An institution that maintains on-campus student housing facilities must maintain a fire log that contains the nature, date, time, and general location of each fire. The fire log for the most recent 60 day period must be open for public inspection. The institution must make an entry or addition to the log within two business days of receipt of the information.
- (34 CFR 668.46 (b)(11)(v)) – The annual security report is required to include notification to students that the University will change a victim’s academic and living situations after an alleged sex offense and of the option for these changes, if those changes are requested by the victim and are reasonably available.
- (34 CFR 668.46 (b)(11)(vi)(A and B)) – The annual security report is required to include a clear statement that the accuser and the accused are entitled to the same opportunities to have others present during a disciplinary proceeding and both the accuser and the accused must be informed of the outcome of any institutional disciplinary proceeding brought alleging a sex offense.
- (34 CFR 668.46 (b)(11)(vii)) – The annual security report is required to include sanctions the University may impose following a final determination of the University’s disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses.
- (34 CFR 668.46 (g)) – An institution must include a statement of policy regarding its emergency response and evacuation procedures in the annual security report.
- (34 CFR 668.41 (c)(1)) – An institution must distribute to all enrolled students a notice of the availability of the information required to be disclosed pursuant to paragraphs (d), (e), and (g) of this section. The notice must list and briefly describe the information and tell the student how to obtain the information.
- (34 CFR 668.41 (c)(2)) – An institution that discloses information to enrolled students as required under paragraph (d), (e), or (g) of this section by posting the information on an Internet website or an Intranet website must include in the notice described in paragraph (c)(1) of this section –
  - The exact electronic address at which the information is posted; and
  - A statement that the institution will provide a paper copy of the information on request.
- (34 CFR 668.45 (a)(6)(i)) – Completion or graduation rate information must be disaggregated by gender, by each major racial and ethnic subgroup (as defined in IPEDS), by recipients of a Federal Pell Grant, by recipients of a Federal Direct Loan who did not receive a Federal Pell Grant and by recipients of neither a Federal Pell Grant nor a Federal Direct Loan if the number of students in such group or with such status is sufficient to yield statistically reliable information and reporting will not reveal personal information about an individual student. If such number is not sufficient for such purpose, i.e., is too small to be meaningful, then the institution shall note that the institution enrolled too few of such students to so disclose or report with confidence and confidentiality.

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that institutional and financial assistance information for students complies with content and distribution requirements prescribed by Federal regulations.

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**12-16 FINDING: INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION DISCLOSED TO STUDENTS  
(Continued)**

University officials stated that the annual fire safety report was completed by October 1<sup>st</sup> as required by Federal Regulations, however it had not yet been posted on line.

Regarding the fire log, The University believed a log was only necessary if a fire occurred. The log reports the nature, date, time and general location of each fire. Because no fire occurred in the on-campus student housing facilities or any property connected to the housing facilities, no entry would have been made in the log with the exception of “No Fire.”

University officials also stated the students are afforded the information referenced in 34 CFR 668.46, however, the practices had not been reduced to writing or published. The security report due to be published as of October 2013 has been updated to include the above-referenced notifications.

The University has written procedures for emergency response and evacuation situations which were erroneously omitted from the annual security report. The policy is posted on the University’s website.

The University stated that the completion and graduation rate information was disaggregated by gender, by major racial and ethnic subgroup, by recipients of a Federal Pell Grant, by recipients of a Federal Direct Loan who did not receive a Federal Pell Grant and by recipients of neither a Federal Pell Grant nor a Federal Direct Loan. However, an explanation of why disaggregated groups were combined into two groups, “African-American” and “Other”, was not presented. Somewhat similar information is disclosed on the University’s Institutional Effectiveness and Research’s web site and enrolled students were provided notice of the similar information, and its accessibility on the web site, via a University email on 5/3/12. The email, however, did not include notice that the students may request a paper copy of the information.

Failure to comply with the Federal regulations may hinder a student’s ability to make an informed decision and may jeopardize future Federal funding. (Finding Code Nos. 12-16, 11-19, 10-26)

**RECOMMENDATION**

We recommend the University improve its internal controls to ensure that the University fully complies with the Federal regulations regarding the completeness of disclosures of institutional and financial assistance information disseminated to its students.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation. Student notifications mandated by 34 CFR 668 were immediately incorporated into the Annual Report upon notice that the new federal regulations so required. The University also placed the notifications in the Student Handbook which is distributed to all students and is available on the Student Affairs Website.

The fire log is now housed within the University Police Department and copies are sent to Residential Housing so that the log will be easily accessible for public inspection.

With respect to the reporting of Consumer Information, the University has included an explanation of why the disaggregated groups were combined into two groups. The University is creating one central

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**12-16 FINDING: INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION DISCLOSED TO STUDENTS  
(Continued)**

location on the website to house all consumer information for better student navigation. The University has issued a follow up email to all students with a notice that the student may request a paper copy of the information.

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**12-17 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT**

<b><u>Federal Department:</u></b>	<b>U.S. Department of Education</b>
<b><u>CFDA Numbers:</u></b>	<b>84.033, 84.063</b>
<b><u>Program Name:</u></b>	<b>Student Financial Assistance Cluster (Federal Work Study Program) (Federal Pell Grant Program)</b>
<b><u>Questioned Cost:</u></b>	<b>None</b>

Chicago State University (University) did not report accurate (and verifiable) information when completing its Fiscal Operations Report (FISAP) relating to its Title IV Student Financial Assistance programs.

We noted that the following inconsistencies on the FISAP:

	<u>Reported on FISAP</u>	<u>Per detail obtained from University</u>
Total Federal Pell Grant expenditures for the 2011-2012 award year (Part II, Line 23(a))	\$17,768,711	\$17,786,136
Total earned compensation for FWS program 2011-2012 award year (Part V, Line 12)	\$467,806	\$467,975
Number of FWS students employed as reading tutors of children or employed in family literacy activities (Part V, Line H27)	3	0
Federal Share of earned compensation for FWS students employed as reading tutors of children or employed in family literacy activities (Part V, Line H28)	\$4,934	\$0

The U.S. Department of Education requires the FISAP to be reported on an award year basis. Certain information reported on the FISAP will differ from amounts that are reported on the University's Schedule of Expenditures of Federal Awards (which is reported using the University's fiscal year).

The Code of Federal Regulations (34 CFR 674.19(d)(2)) states "Each year an institution shall submit a Fiscal Operations Report plus other information the Secretary requires. The institution shall insure that the information reported is accurate and shall submit it on the form and at the time specified by the Secretary."

The Code of Federal Regulations (34 CFR 675.18 (g)) states (1) For the 2000-2001 award year and subsequent award years, an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one –

- (i) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
- (ii) Family literacy project that employs one or more FWS students in family literacy activities.

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**12-17 FINDING: INACCURATE COMPLETION OF THE FISCAL OPERATIONS REPORT (Continued)**

The instructions for the FISAP state “Report the amount expended against your Federal Pell Grant 2011-2012 award year authorization.”

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reports are complete and accurate.

University officials stated while performing the monthly reconciliations of the Federal Work Study and PELL Grant programs adjustments to awards for prior years discovered in the current period were reported in the current year’s activities. The \$4,934 reported as family literacy activities was reported on the FISAP as a result of internal miscommunication.

Failure to properly complete the FISAP is a violation of Federal regulations and could jeopardize future Federal funding. (Finding Code Nos. 12-17, 11-25, 10-21)

**RECOMMENDATION**

We recommend that the University properly complete the FISAP and have another individual review it to ensure that all information reported is accurate.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and is continuing to work on coordinating the various departments and data sources to ensure a smooth reporting process is achieved. This includes a trained second reviewer who will check to ensure that all information reported is accurate.



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**12-18 FINDING: CONTROLS OVER EXIT COUNSELING**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Number:</b>	<b>84.038</b>
<b>Program Name:</b>	<b>Student Financial Assistance Cluster (Federal Perkins Loan)</b>
<b>Questioned Cost:</b>	<b>None</b>

Chicago State University's (University) controls over conducting exit counseling for students that had received Federal Perkins Loans (FPL) and were no longer attending the University were inadequate.

We tested 4 students that exited the University and were in their initial 9 month grace period during the fiscal year. For one (25%) student, (who graduated and exited the University in May 2011), the exit counseling did not occur until June 2012 (after the request for evidence of the exit counseling was made by the auditors).

The Code of Federal Regulations (34 CFR 674.42(b)) states "(1) An institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution. ... If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required."

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the University conducts exit counseling for students that have received Perkins loan funds and are no longer attending the University.

University officials stated during the period under review, a transition in departmental staffing adversely affected the timely performance of an exit interview for the student in question.

Failure to conduct exit counseling or retain documentation of exit counseling could result in the loss of Federal funding. (Finding Code Nos. 12-18, 11-18)

**RECOMMENDATION**

We recommend the University conduct the required exit counseling in accordance with Federal regulations.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and is conducting the required exit counseling. The University is working with its new loan servicer who has an automated Exit Interview process.

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**12-19 FINDING: FEDERAL PERKINS LOAN COHORT DEFAULT RATE TOO HIGH**

<b>Federal Department:</b>	<b>U.S. Department of Education</b>
<b>CFDA Number:</b>	<b>84.038</b>
<b>Program Name:</b>	<b>Student Financial Aid Cluster (Federal Perkins Loan Program)</b>
<b>Questioned Cost:</b>	<b>None</b>

Chicago State University's (University) Federal Perkins Loan cohort default rate is in excess of the threshold for administrative capability stipulated by the U.S. Department of Education.

The Federal Perkins Loan cohort default rate as of June 30, 2011 (the default rate data trails the fiscal year by approximately ten months) was 18% and was obtained from the Department of Education's website.

The Code of Federal Regulations (34 CFR 668.16) states "To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution – ... (m)(1) Has a cohort default rate - (iii) as defined in 34 CFR 674.5, on loans made under the Federal Perkins Loan Program to students for attendance at the institution that does not exceed 15 percent."

OMB Circular A-133 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the University maintains a Federal Perkins Loan cohort default rate of less than 15%.

University officials stated a transition in departmental staffing adversely affected collection efforts during the period under review.

Failure to maintain a Federal Perkins Loan cohort default rate below 15% impacts the University's administrative capability and could jeopardize future Federal funding. (Finding Code No. 12-19).

**RECOMMENDATION**

We recommend the University improve procedures to collect its Federal Perkins Loans made to students in order to continue participation in this program.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has improved collection procedures on its Federal Perkins Loans made to students. With staffing changes in the department and the conversion to a new billing service provider, we have tightened our default prevention program. We are currently in compliance with due diligence and know that additional contact with the debtors will result in lowering the rate. In addition, we have been working with the Financial Aid Office who has made available to our student's the DOE booklet "*Your Federal Student Loans: Learn the Basics and Manage Your Debt*".

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**12-20 FINDING: CONTROLS OVER COMPLIANCE WITH THE PERSONNEL DEVELOPMENT TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES AWARD REQUIREMENTS**

<b>Federal Department:</b>	<b>Department of Education</b>
<b>CFDA Numbers:</b>	<b>84.325</b>
<b>Program Name:</b>	<b>Personnel Development to Improve Services and Results for Children with Disabilities</b>
<b>Award Numbers:</b>	<b>H325K070451 / H325K100402</b>
<b>Questioned Cost:</b>	<b>None</b>

Chicago State University's (University) controls over compliance with the requirements of reporting applicable to its Personnel Development to Improve Services and Results for Children with Disabilities program did not function as designed.

We examined the only report that was required to be submitted during the audit period for the above awards and noted the following:

- The annual performance report for one of the awards was submitted for the period February 28, 2011 to February 29, 2012. This report had incorrect amounts reported for budget expenditures (line 8). The previous budget period reported amounts expended of \$299,987, (this amount was actually the budget for the period) when the actual amount expended was \$0. The current budget period shows an amount expended of \$299,987, when the actual cumulative amount expended through February 29, 2012 was \$185,578.

The instructions for the performance report require the University to report actual budget expenditures for allowable grant obligations incurred during the period. The University did not retain any documentation to support the financial information reported.

OMB Circular A-110 Section 51 (a) states that "Recipients are responsible for monitoring each project, program, subaward, function or activity supported by the award." Section 53(b) states "Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards, that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency."

University officials stated the departmental fiscal officer for the grant posted the wrong information to the report and the report was not reviewed by the University prior to submission.

Failure to comply with Federal requirements results in noncompliance with the award agreement and may jeopardize future Federal funding. (Finding Code No. 12-20)

**RECOMMENDATION**

We recommend the University improve its controls to ensure compliance with requirements applicable to its Federally funded programs.

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**CURRENT FINDINGS – *FEDERAL COMPLIANCE***

**12-20 FINDING: CONTROLS OVER COMPLIANCE WITH THE PERSONNEL DEVELOPMENT TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES AWARD REQUIREMENTS (Continued)**

**UNIVERSITY RESPONSE**

The University agrees with the recommendation. The Office of Grants and Research Administration will develop procedures for providing alerts to fiscal officers when reports are due and policies for ensuring that reports are reviewed and authorized by this office and all appropriate parties prior to submission to funding agencies.

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**CURRENT FINDINGS – FEDERAL COMPLIANCE**

**12-21 FINDING: CONTROLS OVER REPORTING FOR THE FAMILY AND COMMUNITY VIOLENCE PREVENTION PROGRAM**

<b>Federal Department:</b>	<b>Department of Health and Human Services</b>
<b>CFDA Number:</b>	<b>93.910</b>
<b>Program Name:</b>	<b>Family and Community Violence Prevention Program</b>
<b>Questioned Cost:</b>	<b>N/A</b>
<b>Award Number:</b>	<b>YEPMP090039</b>

Chicago State University (University) did not have adequate procedures to ensure that reports submitted to the grantor were timely submitted.

We examined the only financial report (Federal Financial Report) submitted during the audit period for the above program and noted the following:

- The report was submitted on January 30, 2012 and was due on November 29, 2011 (62 days late).

The Notice of Grant Award requires the University to submit a Financial Status Report within 90 days after the expiration of the budget period.

OMB Circular A-110 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that reports are submitted timely.

University officials stated that at the time this report was due the corrective action plan that is currently in place was in its initial stages of implementation.

Failure to ensure that reports are timely filed may jeopardize future Federal funding. (Finding Code Nos. 12-21, 11-23)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure that its Federal Financial Reports are timely submitted.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation. The Office of Grants and Research Administration will develop procedures for providing alerts to fiscal officers when reports are due and policies for ensuring that reports are reviewed and authorized by this office and all appropriate parties prior to submission to funding agencies.

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**CURRENT FINDINGS – STATE COMPLIANCE**

**12-22 FINDING: TUITION DIVERTED TO ACCOUNTING ENTITY**

Chicago State University (University) diverted tuition from credit-bearing degree programs from its Income Fund to an accounting activity.

While testing the Student Financial Assistance (SFA) Cluster, we were informed that the University disbursed SFA to students attending off-campus locations. To verify the accuracy of that information, we reviewed student account activity and came across two students that had SFA applied to their student account. However, there was no related tuition charges posted to those student's accounts during the fiscal year. We asked the University for evidence that the tuition revenue was recorded. The University provided the requested documentation and we noted that the revenue account where the transactions were recorded was not part of the University's Income Fund. The revenue was recorded in an account that is an accounting activity for purposes of the University Guidelines. We expanded our testing and noted a total of 87 students enrolled in these cohorts with tuition & fees totaling \$140,419 that were not recorded in the University's Income Fund. On the University financial statements this revenue was reported as other operating revenue instead of tuition and fees.

The State Finance Act (30 ILCS 105/6a-1c) states "Beginning on the effective date of this amendatory Act of 1996, the following items of income received by Chicago State University for general operational and educational purposes shall be retained by the University in its own treasury and credited to an account known as the University Income Fund that it shall establish in its treasury for purposes of this paragraph: (a) tuition and laboratory fees not pledged to discharge obligations arising out of the issuance of revenue bonds, library fees, and all interest which shall be earned thereon; ..."

The Legislative Audit Commission's University Guidelines of 1982, as amended in 1997, states (Chapter II, Section A, Part 1) "Tuition received for not-for-credit (i.e. public service) courses shall be held as local funds in the accounting entity established pursuant to these Guidelines. Unless otherwise provided by law, all tuition received from any and all credit-bearing course offerings shall go into the Income Fund, except monies may be retained locally when received for conferences, courses and continuing education (whether held on campus or off):

- a) which are requested by and the course content of which is coordinated with a government unit, community organization or private business; and
- b) where the full cost is paid by the requesting governmental unit, community organization or private business."

University officials stated that the revenue account that was set up was created to serve as a cost center to match revenues and expenditures for the off-site cohort. It was erroneously treated similar to an auxiliary function for contract courses.

The diversion of tuition from credit-bearing courses away from the University's Income Fund is a violation of the University Guidelines. (Finding Code No. 12-22)

**RECOMMENDATION**

We recommend the University improve its revenue accounting procedures to ensure that all tuition charged for credit-bearing courses is recorded in the University's Income Fund.

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**12-22 FINDING: TUITION DIVERTED TO ACCOUNTING ENTITY (Continued)**

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has set up a corrective action plan which includes prior approval requirements for setting up student cohorts for special programs and ensuring tuition charges are processed according to the standard procedure for all instruction programs. Going forward, an annual review of all tuition revenues and auxiliary revenues will be conducted in order to ensure these revenues are properly classified in the ledger and financial statements.

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**12-23 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES AND TO THE UNIVERSITY RELATED ORGANIZATION**

Chicago State University (University) had subsidies between accounting entities (auxiliary enterprises and activities) during the current fiscal year. The University also advanced funds to the Chicago State University Foundation (Foundation) that were not repaid within a one year period.

During our testing of the University Guidelines, we noted the “Student Activities” accounting entity had negative cash balances at the beginning and the end of the fiscal year, (a negative cash balance is in effect an unbooked interfund payable/receivable), thereby causing a subsidy between funds to occur.

Chicago State University Foundation is considered to be a University Related Organization (URO) under the Legislative Audit Commission’s University Guidelines of 1982, as amended in 1997 (Guidelines)

We also noted that the University was owed a balance from the Foundation of \$669,226 and \$565,861, as of June 30, 2012 and June 30, 2011 respectively. There was no evidence that the prior year balance had been repaid by the Foundation.

The Guidelines, states (Chapter III, Section D, Part 1) that “there shall be no subsidies between accounting entities. Subsidies include cash advances and interfund payables/receivables outstanding for more than one year.”

The Guidelines further states (Chapter VI, Section G, Part 3) “Any University funds advanced to a URO or receivables from a URO shall be repaid to the source from which obtained within one year of the date of the transaction.”

University officials stated the subsidy represents a deficit that had accumulated in the Athletics’ department over a period of several years prior to the current administration. The Foundation was unable to repay the receivables due to a deficit in its unrestricted fund balance for the last two fiscal years (including the year ending June 30, 2012).

The subsidy between accounting entities and the outstanding advance to the Foundation are violations of the Guidelines. (Finding Code Nos. 12-23, 11-32, 10-33, 09-13)

**RECOMMENDATION**

We recommend the University review the activities of the accounting entities and ensure that fees charged for services are sufficient to cover expenditures and ensure that subsidies between accounting entities do not occur. We further recommend the University review and monitor the activities of the Foundation to ensure that advances and receivable balances are repaid by the Foundation within one year.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation. Since FY10, the University has established fiscal practices to avoid adding to the subsidy deficit that accumulated over several years. Due to the magnitude of the deficit, the University has developed a long-term plan to eliminate the deficit.



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**12-23 FINDING: SUBSIDIES BETWEEN ACCOUNTING ENTITIES AND TO THE UNIVERSITY RELATED ORGANIZATION (Continued)**

The University will review and monitor support to the Foundation and the proper accounting of the support according to the Legislative Audit Commission Guidelines. We will ensure that any advances or loans to the Foundation are satisfied within one year.

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**CURRENT FINDINGS – STATE COMPLIANCE**

**12-24 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES**

Chicago State University (University) did not have adequate control over contracting procedures.

During our testing of 25 contracts totaling \$3,251,744, we noted the following:

- 6 of the 25 contracts (24%) (some contracts had more than one exception) tested did not contain the minimum requirements for written contracts. The following required elements were missing:
  - Appropriation contingency clause (3 contracts)
  - Certification regarding bribery (1 contract)
  - Certification regarding debt delinquency (1 contract)
  - Certification regarding drug free workplace (1 contract)
  - Certification regarding non-compliance with the Environmental Protection Act (1 contract)
  - Certification regarding prohibited bidders and contractors (1 contract)
  - Certification regarding Illinois Use Tax (1 contract)
  - Certification regarding international anti-boycott (1 contract)
  - Certification regarding access to maintained records and rights to audit (1 contract)
  - Certification of compliance with the required registration with the State Board of Elections (1 contract)
  - Legal status disclosure statement (4 contracts)
  - Federal taxpayer identification number of the contractor (4 contracts)
  - Certification of compliance with the Child Labor Act (1 contract)
  - Certification that the contractor is not barred from doing business due to a felony conviction (1 contract)
  - Certification that no foreign-made materials, equipment or supplies furnished to the University were produced in whole or in part by forced labor, convict labor or indentured labor under penal sanction (1 contract)
  - Statement as to whether a subcontractor may or will be utilized (1 contract)

During our testing of 1 property lease (the University only has one lease), we noted the following:

- The individual who signed the lease on behalf of the University was not an authorized University representative.
- The lease was missing the following required elements:
  - Certification regarding bribery
  - Certification regarding debt delinquency
  - Certification regarding non-compliance with the Environmental Protection Act
  - Certification regarding prohibited bidders and contractors
  - Certification regarding Illinois Use Tax
  - Certification that the lessor is not barred from doing business due to a felony conviction
  - Certification of compliance with the required registration with the State Board of Elections
  - Right to audit records clause
  - Required disclosures of owners and beneficiaries
  - Lessor's Federal Taxpayer Identification Number

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**12-24 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)**

- A subcontractor utilization statement
- This lease was signed off as being “reviewed for legal compliance” by the University’s legal counsel.

The Statewide Accounting Management System (SAMS) (Procedures 15.20.20 and 15.20.40) requires each contract to contain the following information (only a portion of the requirements are listed):

- Contractor’s Federal Taxpayer Identification Number and Legal Status Disclosure Certification
- A right to audit records clause
- An International Anti-Boycott certification
- An Environmental Protection Act certification
- A registration with the State Board of Elections certification
- A subcontractor utilization statement
- A bribery clause certification
- A debt delinquency certification
- A drug free workplace certification
- A prohibited bidders and contractors certification
- An Illinois use tax certification
- A child labor act certification
- A forced labor act certification
- A felons certification
- An appropriation contingency clause
- Signature of authorized agency representative
- Disclosure of identity of owners and trust beneficiaries

The Illinois Procurement Code (Code) requires (30 ILCS 500/20-60) all contracts to include a statement that they are subject to the termination or cancellation in any year for which the General Assembly fails to make an appropriation to make payment.

University officials stated that the:

- Appropriation contingency clause (3 contracts), contracts were not revised to include this clause until July 2011, two (2) contracts were executed prior to that date. The remaining contract was a purchase order, the purchase order was issued prior to August 19, 2011, which was the date that all purchase orders were amended to include all certifications.
- Four (4) contracts missing legal status and federal tax identification numbers were purchase orders and our purchase orders do not include the vendor's legal status nor their tax identification number. The vendor legal status and their tax identification numbers are maintained and captured in our vendor file.
- The lease was processed outside of the procurement system and approved thus circumventing other internal controls.

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**12-24 FINDING: INADEQUATE CONTROLS OVER CONTRACTING PROCEDURES (Continued)**

Failure to abide by appropriate contracting procedures may cause the University to make payments that are not authorized and results in noncompliance with State contracting requirements. (Finding Code Nos. 12-24, 11-28, 10-31, 09-6, 08-13, 07-9, and 06-12)

**RECOMMENDATION**

We recommend that the University enhance its internal controls to ensure compliance with the Illinois Procurement Code and the SAMS Manual.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and revised the purchase order to include all required certifications on August 19, 2011. The University Legal Counsel will update purchasing of any new certifications that are required for procurement contracts. In addition, the Purchasing Director or representative must attend all Illinois Procurement of Higher Education Cooperative (IPHEC) meetings which are a source where new certifications are introduced.

With respect to the leases, the Legal Department has already prepared a standard lease form to be used by the University. The standard lease form includes all certifications and disclosures required by statute.

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**CURRENT FINDINGS – STATE COMPLIANCE**

**12-25 FINDING: VOUCHER PROCESSING ERRORS**

Chicago State University (University) did not process certain expenditures accurately and did not pay certain expenditures in a timely manner.

We tested 125 expenditures for purposes of State compliance from Contractual Services, Commodities, Equipment, Telecommunications, and Operation of Automotive Equipment and noted the following:

- One invoice (1%), \$1,501, contained expenditures that were recorded to the incorrect fiscal year.
- Thirteen invoices (10%) were not approved for payment in a timely manner. These invoices were approved between 35 and 137 days (5 to 107 days late) after receipt of a proper bill.
- Five invoices (4%) were not dated by the receiving officer; therefore, a determination could not be made on whether or not the invoice was approved for payment timely.
- Five invoices (4%) were not paid in a timely manner. The invoices were paid 91 to 149 days (1 to 59 days late) after the receipt of a proper bill.
- One invoice (1%) was charged to the incorrect Statewide Accounting Management System (SAMS) code. The invoice had charges of \$811 that were charged to travel but should have been charged to contractual services.
- Five invoices (4%) were not signed by the receiving (fiscal) officer of the University.
- Two invoices (2%) were for gasoline purchases that included midgrade gasoline. The midgrade purchases amounted to \$1,646. Both of these invoices were for bulk gasoline purchases to be used on University premises.
- One invoice (1%) included a payment for State of Illinois sales tax in the amount of \$10.
- One expenditure (1%) was made using a direct payment voucher (DPV). The approved DPV was for \$142; however, the actual payment was \$154. Upon further investigation it was found that the invoices attached to the DPV totaled \$154.

We also tested another 150 Federal expenditures (not including student financial aid) and noted the following:

- Four invoices (3%), amounting to \$9,536, contained expenditures that were recorded to the incorrect fiscal year.
- Six invoices (4%) were not approved for payment in a timely manner. These invoices were approved between 39 and 240 days (9 to 210 days late) after receipt of a proper bill.
- Four invoices (3%) were not paid in a timely manner. The invoices were paid 96 to 269 days (6 to 179 days late) after the receipt of a proper bill.
- Two invoices (1%) were not signed by the receiving (fiscal) officer of the University.
- One expenditure (1%) included charges of \$7,585 that were for services performed by the vendor prior to the full execution of the contract.
- One expenditure (1%) on a DPV for Bookstore expenditures of \$53 was not approved by the appropriate fiscal officer.

Generally accepted accounting principles require invoices to be recorded in the period in which the expenditure relates.

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**12-25 FINDING: VOUCHER PROCESSING ERRORS (Continued)**

Prudent business practices require all vouchers be approved (within 30 days of receipt of proper bill) and paid in a timely manner (within 90 days of receipt of proper bill) by University officials.

The Illinois Procurement Code (30 ILCS 500/20-80(d)) (Code) states “Vendors shall not be paid for any goods that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.”

The Chicago State University Administrative and Finance Policies and Procedures Manual (Procedure 6.2) states that in order to process a DPV for the Bookstore, the fiscal officer and dean’s approval must be obtained and the invoice must be attached. This procedure also requires that receipt and acceptance of a shipment to be documented and the amount to be paid entered on the DPV along with any supporting documentation. Procedure 6.10 states that the University is exempt from State of Illinois sales tax.

The Statewide Accounting Manual System (SAMS) procedure 11.50.30 defines each of the State’s expenditure line item codes where expenditures should be recorded.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls, that provide assurance that expenditures are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State’s resources.

The Illinois Administrative Code (44 Ill. Administrative Code 5040.550) state “Purchases of fuel, oil, and related items for the operation of State-owned equipment must be made from the most economical source. Unleaded gasoline (with ethanol blended in, often called gasohol) shall, however, be used where available.” Although this rule is not binding on the University, it is still a basis for prudent business practice absent a valid explanation of the need for mid-grade fuels.

University officials stated voucher processing is currently still a manual process and the University has not completed its implementation of the automated system of voucher processing. The purchase of midgrade gasoline was due to the fact that it was the only grade available at the time. Due to a loss of grant personnel, one contract was not timely executed.

Untimely payments may result in vendors being unwilling to do business with the State. Late approval of invoices, lack of required approvals, incorrect vouchers, payment of sales tax, and purchasing mid-grade gasoline without a need could result in a loss of State funds. Recording expenditures in the incorrect fiscal year results in inaccurate financial statements. (Finding Code Nos. 12-25, 11-29, 10-34, 09-2)

**RECOMMENDATION**

We recommend the University improve controls to ensure that expenditures are approved and paid timely, are posted to the correct fiscal year, and that vouchers are properly prepared and comply with State law. We further recommend the University only purchase mid-grade gasoline when there is a documented need for higher grade fuel and ensure that no State of Illinois sales tax is paid on purchases.

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**12-25 FINDING: VOUCHER PROCESSING ERRORS (Continued)**

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has implemented stricter controls addressing the timeliness of expenditure payments, along with proper posting of payments to the appropriate fiscal year. We have established a Corrective Action plan that strengthens internal controls over the current process. The plan includes the installation of an automated accounts payable process that will greatly improve voucher processing. The University expects to have it in place by FY2014. The plan includes collaboration with the grant accountants in the reconciliation and review of grant purchase order payments. The facilities department has also established stricter controls to ensure that the purchase of gasoline is made from the most economical source.

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**CURRENT FINDINGS – STATE COMPLIANCE**

**12-26 FINDING: TIME SHEETS NOT MAINTAINED IN COMPLIANCE WITH STATE OFFICIALS AND EMPLOYEES ETHICS ACT**

Chicago State University (University) did not maintain time sheets as required by the State Officials and Employee Ethics Act (Act).

Of the 30 employees that were selected for testing, we noted the following:

- 1 (3%) employee submitted timesheets; however, they only reported days off.
- 7 (23%) employees did not complete time sheets.

The Act required the Board of Higher Education (IBHE) with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.” The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act.

University officials stated that the Faculty Union representing the State of Illinois Public University System refuses to require its members to execute sign in sheets thus causing the University to be out of compliance with the Act. For the one graduate assistant noted above, the University was unable to locate the time card.

By not requiring positive time sheets from its employees, the University is not in compliance with the Act. (Finding Code Nos. 12-26, 11-33, 10-36, 09-11, 08-17, 07-15, 06-7, and 05-6).

**RECOMMENDATION**

We recommend the University amend its policies to require all employees to submit time reports in compliance with the Act.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation. The time-sheet has been revised to incorporate the certifications required by the statute and requires each employee’s time be recorded to the nearest quarter of an hour.

The administration is currently negotiating with faculty regarding their compliance with the revised time sheet.



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**12-27 FINDING: INACCURATE DATA FOR QUARTERLY SUMMARY OF ACCOUNTS RECEIVABLE**

Chicago State University (University) did not report accurate data on its Quarterly Summary of Accounts Receivable Forms C-97, C-98, C-99, and C-99A (C-97, C-98, C-99 or C-99A).

The University completed quarterly C-97, C-98, C-99 or C-99A reports for 3 funds. We tested the fiscal year 2012 third and fourth quarters submitted to the Illinois Office of the Comptroller and noted the following:

- Current Restricted Fund
  - For the third quarter – The University did not report accurate data for the following (dollar amounts expressed in thousands):
    - C-98:
      - The University reported the total amount of all accounts (over 90 days past due and greater than \$1,000) as \$1,301, when the correct number should have been \$1,297.
      - The University reported the number of accounts (over 90 days past due and greater than \$1,000) as 45 accounts, when the correct number of accounts should have been 32.
    - C-99:
      - The University reported the number of accounts with balances for the Federal/Private revenue source as 36 accounts, when the correct number should have been 39 accounts.
    - C-99A:
      - The University did not report the number of accounts (with past due balances greater than 180 days and balances less than \$15,000) or the balance of those accounts. The amounts that should have been reported were 31 and \$71, respectively.
      - The University reported the number of accounts (with past due balances greater than 180 days and balances greater than \$15,000) and the balance of those accounts as 41 and \$644, respectively, when the correct amounts that should have been reported were 13 and \$573, respectively.
  - For the fourth quarter – The University did not report accurate data for the following:
    - C-98:
      - The University reported the total amount of all accounts (over 90 days past due and greater than \$1,000) as \$748, when the correct number should have been \$745.
      - The University reported the number of accounts (over 90 days past due and greater than \$1,000) as 35 accounts, when the correct number of accounts should have been 25.
    - C-99A:
      - The University did not report the number of accounts (with past due balances greater than 180 days and balances less than \$15,000) or the balance of those accounts. The amounts that should have been reported were 23 and \$66, respectively.

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**12-27 FINDING: INACCURATE DATA FOR QUARTERLY SUMMARY OF ACCOUNTS RECEIVABLE (Continued)**

- The University reported the number of accounts (with past due balances greater than 180 days and balances greater than \$15,000) and the balance of those accounts as 35 and \$473, respectively, when the correct amounts that should have been reported were 12 and \$407, respectively.

The Statewide Accounting Management System (SAMS 26.30.10) states “the accounts receivable reports....provide a summary of the status of the State’s receivables and related collections activity.”

Good business practice would dictate that reports should be completed based upon information contained in the University’s accounting system.

University officials stated the C-98 and C-99A for the 3rd and 4th quarters were prepared viewing the accounts as an aggregate versus accounting for them individually. Three accounts were overlooked, reporting 36 instead of 39 accounts in the 3rd quarter C-99 report.

Reporting inaccurate information on the above referenced reports results in noncompliance with the Statewide Accounting Management System. (Finding Code Nos. 12-27, 11-31, 10-37, 09-9)

**RECOMMENDATION**

We recommend the University improve its procedures to ensure that accurate data is reported on required reports and forms.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has improved its procedures to ensure that accurate data is reported on required reports and forms. The University has researched and documented the proper interpretation of the accounts on an individual basis which will eliminate the source of error that occurred in FY12. In addition, the reports are to be reviewed in detail by a second accountant as a means to address and prevent potential human preparation errors until such time as the required resources are available to implement a more automated process.

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**CURRENT FINDINGS – STATE COMPLIANCE**

**12-28 FINDING: FAILURE TO COMPLY WITH THE IDENTITY PROTECTION ACT**

Chicago State University (University) failed to fully implement the provisions of the Identity Protection Act (Act).

During our testing we noted that the University had not drafted and approved an identity-protection policy as required by the Act; however, the University did have a Social Security Number Use Policy included in their Human Resource Policy Manual. This Social Security Number Use Policy included some similar provisions as required by the Act, but did not include all the required content for the required policy.

The Identity Protection Act (5 ILCS 179) required the University to draft and approve an identity-protection policy by June 1, 2011. Per the Act, this policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

University officials stated that when the Social Security Number Use Policy was drafted it included some but not all the elements required to be in compliance with the Identity Protection Act.

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 12-28)

**RECOMMENDATION**

We recommend the University develop and approve an identity protection policy as required in the Identity Protection Act.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation and has drafted an identity protection policy in accordance with 5 ILCS 179/37 Identity-Protection Policy; State. The policy makes reference to the statutory cite. Policy and procedures have been developed and implemented which provides for only a limited number of employees having access to social security numbers. Those persons are trained on protecting the confidentiality of those numbers. A statement of why the numbers are needed and how they will be used is available upon request and disseminated to those persons who are asked to provide their social security number. The numbers appear on forms (either paper or on line) and both can be easily redacted. A copy of the policy was filed with the Social Security Number Protection Task Force within the Attorney General's Office.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE**

**12-29 FINDING: COMPUTER SECURITY WEAKNESSES**

The University had not established adequate controls over some aspects of its computer environment. We reviewed the University's computer environment and noted the following weaknesses:

- A programmer had access to production systems.
- Three of seven former employees tested were still listed as active users of the University's computer systems. These three employees had separated from the University from 82 to 137 days prior to the date of our testing.
- Virus definitions were not consistently updated on computers.

The University had over five million dollars invested in computer software and hardware. Many of the University systems, such as financial aid, purchasing, accounting and student records, are critical to its daily operations and functions and contain sensitive and confidential information such as employees' and students' social security numbers as well as health information.

A University programmer had access to the production environment without compensating controls. These access rights would allow them to add, change or delete records in the University's administrative systems. Programming staff should generally be limited to accessing only the information specifically required to complete their assigned system development projects.

Former employees still had active user IDs which enabled them to access the University's computer systems. We tested seven former employees and found that three still had access to various aspects of the information system commensurate with their former duties. The University's "Information Security Policy" states "All accounts for staff that separate from the University will be deleted or made inactive immediately."

The University used an anti-virus software service to protect their desktops and servers to provide protection at every level of the network. Software releases were automatically scheduled to update computers to ensure protection from computer viruses. We tested the University's network and found a large number of computers with critical errors. Most of these related to a failure of the anti-virus software to start or to load the current virus definitions onto that computer. Some of the critical errors were found in administrative departments placing the University at risk.

University officials stated that due to staffing needs, the programmer noted in the first bullet point was working on several projects across multiple areas requiring the necessary access. The termination process, which requires communication between the Office of Human Resources and the Department of Information Technology, was not received timely by IT in order to disable the employee access. In regards to the third bullet point, the lack of consistency was due to changes in personnel and the completion of training program for the newly appointed individual managing the application.

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

STATE OF ILLINOIS  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**CURRENT FINDINGS – STATE COMPLIANCE**

**12-29 FINDING: COMPUTER SECURITY WEAKNESSES (Continued)**

Without implementation of consistent security controls and administrative procedures, there is a greater risk that unauthorized access to University resources may be gained and data destroyed. (Finding Code Nos. 12-29, 11-34, 10-41)

**RECOMMENDATION**

We recommend the University strengthen computer security within its computing environment. Specifically, the University should:

- Restrict programmer access to all production programs and data. If the University determines that programmer access in some situations may be necessary, we recommend the University establish and enforce compensating controls to ensure appropriate management oversight.
- Ensure prompt deactivation of user access rights of employees who have separated from the University.
- Ensure anti-virus software definitions are updated on a timely basis.

**UNIVERSITY RESPONSE**

The University agrees with the recommendation.

1. **Programmer has access to production systems:** The programmer's access to production systems has been removed. The programmers perform the required testing on the test systems and access to deploy the changes to production systems is provided during the ITD maintenance window. With the addition of new programmers, a single programmer will not be required to have access to several modules of BANNER. The programmers' access is now restricted to the modules that they are maintaining.
2. **Terminated Employees:** The University has initiated a project to ensure that access of all terminated employees has been removed from the system. All terminated employees will be removed from the system by March 29, 2013. A process is being put in place to ensure that various departments and unit leaders are informed upon employee termination so that follow-up action can take place. Password Management System being implemented will ensure that the employee's access is being removed immediately.
3. **Virus Definitions:** ITD is working with the enterprise anti-virus solution provider to resolve the issues related to updating virus definition files on the client computers. The enterprise solution provider will provide necessary training to ITD network engineers to ensure that they are adequately knowledgeable in resolving such issues. The latest round of testing to be completed by March 15, 2013 will identify issues causing delay in pushing virus definition files to the client computers. These issues will be addressed and resolved by April 30, 2013.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**PRIOR FINDINGS NOT REPEATED**

**A FINDING: Suspended Academic Policy Resulted in Overstated Liability on the Financial Statements**

Chicago State University had multiple policies addressing the requirement for a student's Satisfactory Academic Progress. As a result of a misapplication of the academic policy that had been suspended, the University determined that there were overawards made to students totaling \$740,030. The University recorded this as an adjustment to their financial statements. These adjustments included a \$134,836 reduction in receivables, a \$605,194 increase in liabilities, and revenue and expenses adjustments netting to \$740,030. (Finding Code No. 11-1)

**Status – Not repeated**

Our sample testing did not identify instances of the use of an academic policy that had been suspended.

**B FINDING: Inaccurate Accounting for Participation in Public Entity Risk Pool**

Chicago State University did not properly account for its participation in the State Universities Risk Management Association in accordance with accounting principles generally accepted in the United States of America. (Finding Code No. 11-2)

**Status – Not repeated**

Our testing indicated that the University accounted for its participation in the State Universities Risk Management Association in accordance with accounting principles generally accepted in the United States of America.

**C FINDING: Head Start Subrecipient**

Chicago State University did not have appropriate internal controls to monitor the compliance of the subrecipient of its Head Start Cluster program. (Finding Code No. 11-4)

**Status – Not repeated**

During the fiscal year ending June 30, 2012, the University did not have any Head Start subrecipients.

**D FINDING: Inadequate Controls over Preparation of a Complete and Accurate Schedule of Expenditures of Federal Awards**

Chicago State University did not prepare a complete and accurate Schedule of Expenditures of Federal Awards. (Finding Code Nos. 11-6, 10-9)

**Status – Not repeated**

Our testing did not identify errors in the Schedule of Expenditures of Federal Awards

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**PRIOR FINDINGS NOT REPEATED**

**E     FINDING: U.S. Aid Program**

Chicago State University did not comply with certain requirements related to its award from the United States Agency for International Development (U.S. Aid). (Finding Code Nos. 11-10, 10-5, 09-4, 08-9, 07-5, 06-3, 05-1, 04-1, 03-1)

**Status – Not repeated**

Our sample testing did not reveal instances of non-compliance with the requirements of the U.S. Aid Program.

**F     FINDING: Costs Charged to Research and Development Cluster**

Chicago State University did not fully comply with compliance requirements of allowable costs/cost principles applicable to its Research and Development Cluster programs. (Finding Code Nos. 11-11, 10-10)

**Status – Not repeated**

Our sample testing did not reveal instances of non-compliance with requirements of the Research and Development Cluster programs.

**G     FINDING: Suspension and Debarment**

Chicago State University did not have adequate controls to ensure that vendors had not been suspended and debarred from participating in contracts funded by Federal awards. (Finding Code Nos. 11-12, 10-14)

**Status – Not repeated**

Our sample testing did not identify any instances where the University failed to perform one of the allowed methods for determining if a vendor is suspended or debarred.

**H     FINDING: Late Submission of Loan Documents**

Chicago State University did not timely submit loan disbursements to the U.S. Department of Education and did not report a loan to the University's Federal Perkins Loan Servicer. (Finding Code No. 11-13)

**Status – Not repeated**

Our sample testing did not reveal instances of untimely submission of loan disbursements to the U.S. Department of Education or instances of not reporting a loan to the University's Federal Perkins Loan Servicer.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**PRIOR FINDINGS NOT REPEATED**

**I FINDING: Notification of Disbursement**

Chicago State University did not provide the required notification to students regarding the anticipated date and amount of each disbursement and the student's (or parent's) right to cancel student loans or TEACH grants. (Finding Code Nos. 11-14, 10-23)

**Status – Not repeated**

Our sample testing did not reveal instances of non-compliance with disbursement notification.

**J FINDING: Retention of Perkins Loan Records**

Chicago State University did not retain records of cancellations and deferment requests under the Federal Perkins Loan (FPL) program. (Finding Code No. 11-16)

**Status – Not repeated**

Our sample testing did not reveal instances of non-compliance with Perkins Loan record retention.

**K FINDING: Drug Free Workplace**

Chicago State University did not comply with the requirements of the Drug-Free Schools and Communities Act. (Finding Code Nos. 11-17, 10-22)

**Status – Not repeated**

An annual distribution of the required information from the Drug-Free Schools and Communities Act occurred during the fiscal year ending June 30, 2012.

**L FINDING: Untimely Payment of Student Refunds**

Chicago State University did not pay credit balances resulting from the application of student financial aid to the students in a timely manner. (Finding Code Nos. 11-20, 10-15)

**Status – Not repeated**

Our sample testing did not reveal instances of untimely payment of student refunds.

**M FINDING: Use of Outdated Promissory Note**

Chicago State University did not use the correct promissory note issued by the Department of Education. (Finding Code No. 11-21)



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

PRIOR FINDINGS NOT REPEATED

**Status – Not repeated**

Our sample testing did not identify any evidence of the use of an incorrect promissory note.

**N FINDING: Inadequate Controls over Reporting**

Chicago State University did not have adequate procedures to ensure that accurate reports were filed. (Finding Code Nos. 11-22, 10-16)

**Status – Not repeated**

Our sample testing did not identify errors in reports filed for the U.S. Aid Program.

**O FINDING: Research and Development Cluster Reporting**

Chicago State University did not have adequate procedures to ensure that reports submitted to the grantor were properly completed. (Finding Code Nos. 11-24, 10-7)

**Status – Not repeated**

Our sample testing did not identify errors in reports filed for the Research and Development Cluster.

**P FINDING: Noncompliance with Department of Energy Grant Requirements**

Chicago State University did not fully comply with the compliance requirements related to its grant from the Department of Energy. (Finding Code Nos. 11-26, 10-6)

**Status – Not repeated**

The University did not receive funding for the Department of Energy grant during the fiscal year ending June 30, 2012.

**Q FINDING: Inadequate Controls Over Property and Equipment**

Chicago State University's (University) did not fully comply with requirements applicable to its property and equipment. (Finding Code No. 11-27)

**Status – Moved to Immaterial Findings Letter as IM 12-1**

Our sample testing did not identify exceptions as significant as the prior year.

**R FINDING: Inadequate Controls over "Incomplete" Grade Process**

Chicago State University did not follow their policies regarding their "Incomplete" grade process. (Finding Code No. 11-30)

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CHICAGO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

PRIOR FINDINGS NOT REPEATED

**Status** – Not repeated

Our sample testing did not identify evidence of non-compliance with the University's policies regarding "Incomplete" grades.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report include the following:

- Fiscal Schedules and Analysis:
  - Schedule of Expenditures of Federal Awards
  - Notes to the Schedule of Expenditures of Federal Awards
  - Schedule of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Income Fund Revenues and Expenditures
  - Schedule of Changes in State Property
  - Analysis of Significant Variations in Revenues and Expenses
  - Comparative Schedule of Cash, Temporary Cash Investments, and Investments
    - at Market Value
  - Analysis of Significant Variations in Asset and Liability Accounts
  - Analysis of Significant Lapse Period Expenditures
  - Analysis of Accounts Receivable
  - Schedule of Sources and Applications of Indirect Cost Recoveries
  - Schedule of Federal Expenditures, Nonfederal Expenditures, and New Loans
- Analysis of Operations (Unaudited)
  - Agency Functions and Planning Program (Unaudited)
  - Average Number of Employees (Unaudited)
  - Comparative Enrollment Statistics (Unaudited)
  - Comparative Schedule of Unrestricted Current Fund Expenditures per Full-time Equivalent Students (Unaudited)
  - Emergency Purchases (Unaudited)
  - Illinois First Program (Unaudited)
  - Bookstore Information (Unaudited)
  - Schedule of Degrees Conferred (Unaudited)
  - Schedule of Tuition and Fee Waivers (Unaudited)
  - Special Data Requirements for Audits of Universities:
    - University Reporting in Accordance With University Guidelines (Unaudited)
    - Schedule of Indirect Cost Funds to be Deposited into the University Income Fund as Required by the 1982 University Guidelines (1997 Amended) (Unaudited)
    - Schedule of Excess Funds Calculation by Entity as required by the 1982 University Guidelines (1997 Amended) (Unaudited)
  - Entities' Financial Statements:
    - Balance Sheets (Unaudited)
    - Statement of Revenues, Expenditures and Transfers - Current Unrestricted Funds (Unaudited)
    - Statement of Changes in Fund Balance – Current Unrestricted Funds (Unaudited)
    - Statement of Changes in Fund Balance – Plant Funds (Unaudited)
  - Summary of Foundation Cash Support to the University (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the supplementary information presented in Schedules 1 through 13 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements from which it has been derived. The accountants' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER *</b>				
<u>DEPARTMENT OF EDUCATION</u>				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 340,913	\$ -
Federal Work Study Program	84.033		541,654	-
Federal Perkins Loan Program (Note 2)	84.038		-	-
Federal Pell Grant Program	84.063		17,791,911	-
Federal Direct Student Loans (Note 4)	84.268		-	-
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		176,514	-
<u>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u>				
Scholarships for Health Professions Students from Disadvantaged Backgrounds <i>SDS OT/Nursing Program</i>	93.925		55,786	-
<b>Total Student Financial Assistance Cluster</b>			<u>18,906,778</u>	<u>-</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER *</b>				
<u>DEPARTMENT OF DEFENSE</u>				
Basic Scientific Research <i>Understanding and Exploiting the Microwave Effect for Chemical Synthesis</i>	12.431		156,324	-
Development of Solar Cell I Systems	12.XXX		<u>221,977</u>	<u>-</u>
Total Department of Defense			<u>378,301</u>	<u>-</u>
<u>NATIONAL SCIENCE FOUNDATION</u>				
Mathematical & Physical Sciences <i>RUI: Studies of Relativistic Heavy Ions Collisions in ALICE at the LHC</i>	47.049		80,822	-
<i>Collaborative Research: Algorithms for Threat Detection via Geometry of Virus Genome Space</i>	47.049		26,382	-
Passed Through The American Physical Society <i>PhysTec Program</i>	47.049	N.A.	19,881	-
			<u>127,085</u>	<u>-</u>
Biological Sciences <i>MRI: Acquisition of a State of the Art Scanning Electron Microscope</i>	47.074		<u>28,459</u>	<u>-</u>
Education and Human Resources <i>AMP - Chicago Science Engineering and Math Alliance Support, Mentoring, Accountability, Research and Training: A Sustainable, Thriving Program in Mathematical Sciences</i>	47.076		690,488	241,495
<i>Urban Science, Technology, Engineering &amp; Math Talent Expansion Program</i>	47.076		130,238	-
<i>Creating Innovative Physics Learning Environments in the Urban Classroom</i>	47.076		202,828	43,204
<i>Establishing a Supportive Environment</i>	47.076		173	-
<i>Using the Complex of Nuclear &amp; Particle Physics</i>	47.076		130,998	-
			26,939	-
			<u>1,181,664</u>	<u>284,699</u>
ARRA Trans-NSF Recovery Act Research Support <i>Segmental Recombination in the Mouse T Complex</i>	47.082		<u>96,332</u>	<u>-</u>
Total National Science Foundation			<u>1,433,540</u>	<u>284,699</u>
<u>NATIONAL INSTITUTES OF HEALTH</u>				
Child Health and Human Development Extramural Research - <i>EARDA</i>	93.865		<u>8,828</u>	<u>-</u>
ARRA Trans NIH Recovery Act Research Support Passed Through The University of Chicago <i>Re-engineering Translational Research</i>	93.701	35829-03S4-A	<u>21,881</u>	<u>-</u>

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
Biomedical Research and Research Training				
<i>Minority Biomedical Research Support (MBRS)</i>	93.859		253,617	-
<i>Conformations of C-type Cytochrome Self-assembling Complexes</i>	93.859		13,994	-
<i>Role of Serum Amyloid A In Interferon-gamma Expression and T Helper     1 Cell Differ</i>	93.859		69,614	-
<i>Intracellular Signaling During Phagocytosis</i>	93.859		101,335	-
<i>Gut Circadian Clock and Malatonin Dynamics Following Major Thermal Injury</i>	93.859		33,620	-
Passed Through California State University, San Marcus Foundation				
<i>MBRS RISE II PROGRAM</i>	93.859	42408	119	-
			<u>472,299</u>	-
Total National Institutes of Health			<u>503,008</u>	-
<b>Total Research and Development Cluster</b>			<u>2,314,849</u>	<u>284,699</u>
<b>OTHER PROGRAMS</b>				
<b><u>DEPARTMENT OF EDUCATION</u></b>				
Higher Education_Institutional Aid				
<i>Predominantly Black Institutions Program</i>	84.031		59,177	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities *				
<i>Combined Priority for Personnel Prep.</i>	84.325		422,880	-
TRIO CLUSTER *				
TRIO - Student Support Services	84.042		216,232	-
TRIO - Talent Search	84.044		44,277	-
TRIO - Upward Bound				
<i>Project Fame/Upward Bound</i>	84.047		466,862	-
<i>Project Fame/Upward Bound II</i>	84.047		264,733	-
			<u>731,595</u>	-
TRIO - Educational Opportunity Centers	84.066		318,683	-
Total TRIO Cluster			<u>1,310,787</u>	-
Strengthening Minority-Serving Institutions *				
<i>Predominantly Black Institutions (Graduate)</i>	84.382		588,534	-
<i>The Center for STEM Education &amp; Research at CSU</i>	84.382		292,265	-
			<u>880,799</u>	-
<b>Total Department of Education</b>			<u>2,673,643</u>	-
<b><u>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</u></b>				
Minority Health and Health Disparities Research				
Passed Through Pacific Institute for Research & Evaluation				
<i>HIV/STD Prevention Program</i>	93.307	R01MD004125	65,244	-
TANF CLUSTER				
Temporary Assistance for Needy Families				
Passed Through the Illinois Department of Human Services				
<i>Total TANF Cluster</i>	93.558	81XQ464TS1	99,455	-
Health Careers Opportunity Program				
Passed Through University of Illinois @ Chicago				
<i>Saturday College Program</i>	93.822	D18HP13628	65,887	-
Family and Community Violence Prevention Program				
<i>Youth Empowerment Program</i>	93.910		238,542	19,334
HEAD START CLUSTER *				
Head Start				
Passed Through the City of Chicago				
<i>Early Head Start Program</i>	93.600	PO#18137-6/PO#25068-1	73,496	-
<i>Head Start Collaboration &amp; Services</i>	93.600	PO#18107-6/PO#25068-1	393,940	-
<i>Total Head Start Cluster</i>			<u>467,436</u>	-

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
Child Care and Development Block Grant Passed Through the City of Chicago <i>The Child Care Program</i>	93.575	PO#18107 - 6	88,617	-
Child Care Mandatory & Matching Funds of the Child Care Dev't Fund Passed Through the City of Chicago <i>FY12 Child Care Program</i>	93.596	PO#25068 - 1	89,811	-
ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) Passed Through Public Health Institute of Metropolitan Chicago <i>ARRA/Communities Putting Prevention to Work</i>	93.724	1U58DP002623-01	29,743	-
<b>Total Department of Health and Human Services</b>			<u>1,144,735</u>	<u>19,334</u>
<b><u>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</u></b>				
US AID Foreign Assistance for Programs Overseas * <i>Textbook and Learning Material Program</i>	98.XXX		1,228,118	-
<b>Total U.S. Agency for International Development</b>			<u>1,228,118</u>	<u>-</u>
<b><u>DEPARTMENT OF AGRICULTURE</u></b>				
Higher Education Challenge Grants <i>Chicago South Side Urban Agriculture Initiative</i>	10.217		4,400	2,500
Agriculture and Food Research Initiative (AFRI) <i>High-throughput Screening of Wheat Breeding Lines Against Fungal Pathogens Using a Quantitative RT-PCR-based Approach</i>	10.310		7,111	-
Child Nutrition Cluster Summer Food Service Program for Children Passed Through the Illinois State Board of Education <i>Summer Food Service Program for Children</i>	10.559	15016315P00	14,261	-
<b>Total Department of Agriculture</b>			<u>25,772</u>	<u>2,500</u>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
Interest Subsidy	14.XXX		27,906	-
<b>Total Department of Housing and Urban Development</b>			<u>27,906</u>	<u>-</u>
<b><u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u></b>				
Science Passed Through University of Illinois @ Urbana-Champaign <i>Space Grant Consortium</i>	43.001	NNX10AK65H	31,090	-
Passed Through Sonoma State University <i>Using the Big Ideas in Cosmology to Teach</i>	43.001	NNX10AC89G	19,946	-
Cross Agency Support <i>The GLM Ground Flash Fraction Retrieval Algorithm: Improvement, Testing, and Demonstration</i>	43.009		34,812	-
<b>Total National Aeronautics and Space Administration</b>			<u>85,848</u>	<u>-</u>
<b><u>U. S. DEPARTMENT OF JUSTICE</u></b>				
Recovery Act - Eward Byrne Memorial Justice Assistance Grant (JAG) Program Passed Through YMCA of Metro Chicago <i>ARRA/Justice Assistance Grant Program</i>	16.803	JAG	54,795	-
<b>Total U.S. Department of Justice</b>			<u>54,795</u>	<u>-</u>
<b><u>U. S. CORPORATION FOR NATIONAL COMMUNITY SERVICES</u></b>				
Learn and Serve America Higher Education Passed Through DePaul University Midwest Campus Compact Stem Consortium	94.005	10LH114084	6,582	-
<b>Total U. S. Corporation for National &amp; Community Services</b>			<u>6,582</u>	<u>-</u>

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>Program/Grant Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's No.</u>	<u>Expenditures</u>	<u>Passed- Through to Sub-recipients</u>
<b><u>U. S. SMALL BUSINESS ADMINISTRATION</u></b>				
Small Business Development Centers				
Passed Through IL. Dept. of Commerce & Economic Opportunities				
<i>Greater Southside Small Business Development Center</i>	59.037	11-801176	38,773	-
<b>Total U. S. Small Business Administration</b>			<u>38,773</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 26,507,799</u>	<u>\$ 306,533</u>

\* Denotes Major Programs

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes federal grants of the University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations." Some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

**2. LOANS OUTSTANDING**

The University had the following loan balances outstanding at June 30, 2012 for which continuing compliance requirements remain. These loan balances are not included in the federal expenditures presented in the schedule.

**FEDERAL PERKINS LOAN PROGRAM**

The Perkins Loan receivable from program inception through the year ended June 30, 2012 totaled \$1,677,133. Loan advances for the year ended June 30, 2012 totaled \$110,998. Interest income on loans totaled \$9,041 and other income totaled \$784.

**3. FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)**

The Federal Family Education Loan Program (FFELP) was discontinued at the end of fiscal year 2010. The University is now participating in the William D. Ford Direct Loan Program, as detailed in Note 4.

**4. FEDERAL DIRECT STUDENT LOANS**

During fiscal year 2012, the University participated in the William D. Ford Federal Direct Student Loan Program sponsored by the U.S. Department of Education. Neither the loans nor the related activity have been reflected in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2012.

The lender is the Federal government (via the school). The University is responsible for completing portions of the loan applications, verifying student eligibility, filing student status confirmation reports (SSCR), refunding money to the lender when appropriate and requesting funds from the U.S. Department of Education when disbursing loans.

During the year ended June 30, 2012, the University's students or their parents were awarded the following loans:

Direct Unsubsidized Loans	\$ 34,453,398
Direct Subsidized Loans	24,219,204
Direct Parent Plus Loans	1,457,865
Direct Graduate Plus Loans	2,708,658
Total:	<u><u>\$ 62,839,125</u></u>



**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
APPROPRIATIONS FOR FISCAL YEAR 2012**

**FOURTEEN MONTHS ENDED AUGUST 31, 2012**

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2012	Lapse Period Expenditures (July 1-Aug 31)	Total Expenditures	Balances Lapsed
<b>EDUCATION ASSISTANCE FUND (007)</b>					
Public Act 97-0069					
Ordinary and Contingent Expense	\$ 38,650,800				
Personal Services		\$ 34,079,105	\$ 3,855	\$ 34,082,960	
Social Security		415,940	-	415,940	
Group Insurance		768,000	256,000	1,024,000	
Contractual Services		1,434,000	1,070,500	2,504,500	
Travel		-	29,000	29,000	
Commodities		-	54,000	54,000	
Equipment and Library Books		171,829	55,171	227,000	
Telecommunications		160,850	151,550	312,400	
Operation of Automotive Equipment		-	1,000	1,000	
Total Ordinary and Contingent Expense	<u>38,650,800</u>	<u>37,029,724</u>	<u>1,621,076</u>	<u>38,650,800</u>	\$ -
Financial Assistance Outreach Center	500,000	2,305	427,169	429,474	\$ 70,526
Awards and Grants	<u>104,400</u>	<u>93,000</u>	<u>11,400</u>	<u>104,400</u>	-
Total Education Assistance Fund (007)	<u>39,255,200</u>	<u>37,125,029</u>	<u>2,059,645</u>	<u>39,184,674</u>	<u>70,526</u>
<b>GENERAL PROFESSIONS DEDICATED FUND (022)</b>					
Public Act 97-0069					
Pharmacy Practice Education Training	<u>307,000</u>	<u>114,442</u>	<u>192,558</u>	<u>307,000</u>	-
Total General Professions Dedicated Fund (022)	<u>307,000</u>	<u>114,442</u>	<u>192,558</u>	<u>307,000</u>	-
<b>TOTAL - ALL APPROPRIATIONS</b>	<u>\$ 39,562,200</u>	<u>\$ 37,239,471</u>	<u>\$ 2,252,203</u>	<u>\$ 39,491,674</u>	<u>\$ 70,526</u>

Note: Data is taken from University records and has been reconciled to the records of the State Comptroller.

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES

Schedule 4

FOR THE YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
	<u>PUBLIC ACT</u>	<u>PUBLIC ACT</u>
	<u>97-0069</u>	<u>96-0956</u>
<b>GENERAL REVENUE FUND (001)</b>		
<b>APPROPRIATIONS</b>	\$ -	\$ 39,710,600
<b>EXPENDITURES</b>		
<b>Ordinary and Contingent Expenses</b>		
Personal Services	-	34,786,200
Social Security	-	420,905
Group Insurance	-	1,024,000
Contractual Services	-	2,962,886
Travel	-	4,823
Commodities	-	22,960
Equipment and Library Books	-	118,174
Telecommunications	-	36,250
Operations of Automotive Equipment	-	3,500
Permanent Improvements	-	105,902
<b>Governor's Discretionary</b>	-	222,175
Total expenditures	-	39,707,775
Lapsed balances	-	2,825
<b>EDUCATION ASSISTANCE FUND (007)</b>		
<b>APPROPRIATIONS</b>	39,255,200	-
<b>EXPENDITURES</b>		
<b>Ordinary and Contingent Expenses</b>		
Personal Services	34,082,960	-
Social Security	415,940	-
Group Insurance	1,024,000	-
Contractual Services	2,504,500	-
Travel	29,000	-
Commodities	54,000	-
Equipment and Library Books	227,000	-
Telecommunications	312,400	-
Operations of Automotive Equipment	1,000	-
<b>Financial Assistance Outreach Center</b>	429,474	-
<b>Awards and Grants</b>	104,400	-
Total expenditures	39,184,674	-
Lapsed balances	70,526	-
<b>GENERAL PROFESSIONS DEDICATED FUND (022)</b>		
<b>APPROPRIATIONS</b>	307,000	307,000
<b>EXPENDITURES</b>		
<b>Pharmacy Practice Education Training</b>		
Total expenditures	307,000	307,000
Lapsed balances	-	-
<b>GRAND TOTAL</b>		
<b>APPROPRIATIONS</b>	39,562,200	40,017,600
<b>EXPENDITURES</b>	39,491,674	40,014,775
<b>TOTAL LAPSED BALANCES</b>	\$ 70,526	\$ 2,825

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPARATIVE SCHEDULE OF INCOME FUND REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012  
(With comparative totals for the year ended June 30, 2011)**

	<b>2012</b>	<b>2011</b>
<b>INCOME FUND REVENUES</b>		
Tuition Revenue	\$ 43,995,444	\$ 43,212,875
Laboratory Fee	229,983	247,554
Late Registration Fee	90,200	84,766
NSF Check Fee	1,950	1,495
Deferred Payment Fee	38,479	16,995
Graduation Fee-Undergraduate	35,810	21,005
Graduation Fee-Graduate	13,292	5,875
Transcript Fee	79,160	80,176
Application Fee	147,361	133,088
Interest Income	14,414	10,913
Miscellaneous Other Income	206,017	67,205
<b>TOTAL INCOME FUND REVENUES</b>	<b>\$ 44,852,110</b>	<b>\$ 43,881,947</b>
<b>INCOME FUND EXPENDITURES</b>		
Personal Services	\$ 22,009,486	\$ 19,646,960
SURS Retirement	30,942	5,264
Social Security	500,983	421,989
CMS Group Insurance	-	126
Contractual Services	5,820,836	4,968,157
Travel	513,168	230,049
Commodities	1,873,329	1,274,159
Equipment and Library Books	2,090,376	1,065,680
Telecommunications	184,067	542,791
Operation of Automotive Equipment	54,807	47,630
Permanent Improvements	1,787,767	2,613,321
Awards, Grants, and Matching Funds	757,396	1,152,630
Tuition and Fee Waivers	2,536,677	2,875,362
Other Expenditures	1,621,340	798,349
<b>TOTAL INCOME FUND EXPENDITURES</b>	<b>\$ 39,781,174</b>	<b>\$ 35,642,467</b>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF CHANGES IN STATE PROPERTY  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 6

(In thousands)

	<b>Beginning Balance at June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Net Transfers (CDB)</b>	<b>Ending Balance at June 30, 2012</b>
Land	\$ 9,611	\$ -	\$ -	\$ -	\$ -	\$ 9,611
Site Improvements	12,143	54	-	-	-	12,197
Buildings and Building Improvements	182,062	2,769	-	4,355	-	189,186
Equipment	39,712	4,186	(17,016)	403	-	27,285
Capital Lease Assets	779	-	-	-	-	779
Intangible Assets	399	146	-	-	-	545
Library Books	11,658	355	-	-	-	12,013
Construction In-Progress	6,616	723	-	(4,758)	1,852	4,433
<b>TOTAL</b>	<b>\$ 262,980</b>	<b>\$ 8,233</b>	<b>\$ (17,016)</b>	<b>\$ -</b>	<b>\$ 1,852</b>	<b>\$ 256,049</b>

This Schedule has been reconciled to Quarterly Reports of State Property submitted to the State Comptroller

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30,2012**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.

	<u>Balance FY 12</u>	<u>Balance FY 11</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>REVENUES</b>				
<b>FEDERAL GRANTS AND CONTRACTS:</b> The decrease of \$7.2 million (46.8%) is mainly due to a \$5.1 million decrease in the Textbook and Learning Materials grant and another \$2.1 million net decrease through a combination of six other grants.	\$ 8,170,333	\$ 15,360,785	\$ (7,190,452)	-47%
<b>EXPENSES</b>				
<b>RESEARCH:</b> The decline of \$972 thousand (27.5%) from last fiscal year, is mainly due to a couple research grants that were completed or nearing completion.	\$ 2,567,754	\$ 3,539,508	\$ (971,754)	-27%
<b>PUBLIC SERVICES:</b> Expenses declined \$1.2 million dollars (21.6%) due to decreases in seven grants and programs. The key decreases are \$477 thousand from the non-renewal of the subcontract in Evidence Based Trauma Practice, \$200 thousand from the non-renewal of the Illinois Institute for Entrepreneurship Education, \$183 thousand in Youth Empowerment Program and \$171 thousand due to the ending of Educational Talent Search plus three lesser decreases.	\$ 4,392,720	\$ 5,603,164	\$ (1,210,444)	-22%
<b>ACADEMIC SUPPORT:</b> The higher expense in Academic Support is largely due to increased efforts aimed at preparing for the re-accreditation process and the related self-study. These items required significant resources from the academic support sector of the University. Also, improvements were made that would position the University favorably for the Higher Learning Commission site visit.	\$ 7,579,922	\$ 6,265,881	\$ 1,314,041	21%
<b>STUDENT SERVICES:</b> Expenses declined significantly because of a \$5.1 million decrease in the expenditures of the Textbooks and Learning Materials grant, which ended in fiscal year 2012, offset by some smaller increases.	\$ 10,047,812	\$ 14,718,362	\$ (4,670,550)	-32%
<b>OTHER NON OPERATING REVENUES, EXPENSES, GAINS OR LOSSES</b>				
<b>LOSS ON DISPOSAL OF CAPITAL ASSETS:</b> The University experienced a higher loss of equipment scrapped from the inventory that still had remaining net book value this fiscal year.	\$ (195,289)	\$ (44,216)	\$ (151,073)	342%

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,  
AND INVESTMENTS - AT MARKET VALUE  
AS OF JUNE 30, 2012  
(With Comparative Totals as of June 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>By Depository</b>		
Cash and temporary cash investments:		
Citibank , Chicago, Illinois, Money Market Account	\$ 1,984,384	\$ 45,042
Seaway Bank, Chicago, Illinois, Illinois Pooled Investments	15	-
Checking accounts:		
Urban Partnership Bank, Chicago, Illinois, Depository Account	118,311	523,863
Urban Partnership Bank, Chicago, Illinois, Checking Account	187,255	57,452
Urban Partnership Bank, Chicago, Illinois, HHS Account	338	3,182
Citibank, Chicago, Illinois, Vendor Disbursement Account	(31,696)	470,323
Citibank, Chicago, Illinois, Student Disbursement Account	81,457	283,298
Citibank, Chicago, Illinois, Various ACH	6,575	117,661
Citibank, Chicago, Illinois, TMS Account	438	407
Chase, Chicago, Illinois, Payroll Account	398,016	107,952
Harris Bank, Chicago, Illinois, HUD Account	-	257,439
The Illinois Funds, Springfield, Illinois, Clearing Fund	1,734,238	5,404,719
The Illinois Funds, Springfield, Illinois, Payroll Fund	-	23,611
Seaway National Bank, Chicago Illinois, Checking	18,883,627	245,570
Highland Community Bank, Chicago, Illinois, Checking	249,995	249,995
Fifth Third Bank, Chicago, Illinois, CRCP	-	1,302
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 23,612,953</u></b>	<b><u>\$ 7,791,816</u></b>
<b>By Fund</b>		
Unrestricted current funds	\$ 19,364,609	\$ 8,479,391
Restricted current funds	3,074,536	(1,695,238)
Loan funds	90,408	61,390
Plant Funds	942,830	782,714
Agency Funds	140,570	163,559
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 23,612,953</u></b>	<b><u>\$ 7,791,816</u></b>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
COMPARATIVE SCHEDULE OF CASH, TEMPORARY CASH INVESTMENTS,  
AND INVESTMENTS - AT MARKET VALUE  
AS OF JUNE 30, 2012  
(With Comparative Totals as of June 30, 2011)**

	<u>2012</u>	<u>2011</u>
<b>By Depository</b>		
Cash and temporary cash investments:		
Citibank , Chicago, Illinois, Money Market Account	\$ 1,984,384	\$ 45,042
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Plant Funds	942,830	782,714
Agency Funds	140,570	163,559
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 23,612,953</u></b>	<b><u>\$ 7,791,816</u></b>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2012**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.

<u>ASSETS</u>	<u>Balance FY12</u>	<u>Balance FY11</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>Cash and cash equivalents - unrestricted:</b> \$ 15,836,239	\$ 15,836,239	\$ 5,026,611	\$ 10,809,628	215%
Cash and cash equivalents increased primarily due to faster processing of reimbursements by the State of Illinois of appropriated fund expenditures.				
<b>Balance in State appropriation:</b> The balance \$ 11,916,336	\$ 11,916,336	\$ 17,800,065	\$ (5,883,729)	-33%
in State appropriations is lower this fiscal year as the State made a concerted effort to catch up on its reimbursements to the State universities. This reduction in the receivables balance, reflects faster processing of reimbursements by the State of Illinois for this year's appropriations.				
<b>Prepaid expenses:</b> Prepaid expenses \$ 655,952	\$ 655,952	\$ 514,040	\$ 141,912	28%
increased 28% or \$141.9 thousand. The main contributors to this increase include payments to our purchasing service software provider, for new purchasing software and support, \$37 thousand, and a pre-payment of \$92 thousand for Nursing Department e-literature.				
<b>Cash and cash equivalents - restricted:</b> \$ 7,776,714	\$ 7,776,714	\$ 2,765,205	\$ 5,011,509	181%
Certain cash and cash equivalents are restricted for capital asset acquisitions and student loans. The University received advance funding for three capital projects as described in <i>Deferred Revenue</i> on the following page.				
<b>Other non-current assets:</b> In fiscal year \$ 272,741	\$ 272,741	\$ -	\$ 272,741	100%
2012, the University recorded its capital contribution to the State University Risk Management Association (a public entity risk pool). Annual changes to this asset are not expected to be significant.				



**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
ANALYSIS OF SIGNIFICANT VARIATIONS IN ASSET AND LIABILITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2012**

We obtained variance explanations for the following accounts, which had a 20% change and a dollar variance greater than \$100,000.

**LIABILITIES**

<p><b>Deferred revenue:</b> Deferred revenue increased \$5.1 million to \$7.58 million due to advance funding of three Capital Development Board improvement projects for which the revenue was deferred. The three projects include the Douglas Hall renovation, emergency roof replacement and the westside campus project.</p>	<p>Deferred revenue \$ 7,584,553</p>	<p>\$ 2,480,061</p>	<p>\$ 5,104,492</p>	<p>206%</p>
<p><b>Capital leases payable:</b> (Non-current) The long-term portion of capital leases payable decreased \$101 thousand as the long term portion of the existing lease became a current liability and there were no new leases entered into this fiscal year.</p>	<p>\$ -</p>	<p>\$ 100,883</p>	<p>\$ (100,883)</p>	<p>-100%</p>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2012**

We obtained variance explanations for the following lapse period expenditures which exceeded 20% of the expenditures for the appropriation line item.

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>%</u>
<b><u>EDUCATION ASSISTANCE FUND (007)</u></b>			
<b>Financial Assistance Outreach Center</b>	\$ 427,169	\$ 429,474	99%
Payments for personal services, contractual services, commodities, travel, equipment, and operation of autotive equipment which were paid locally by 6/30/12 were submitted to the Comptroller's office in the lapse period for reimbursement. They were submitted in the lapse period due to time constraints in the Business Office.			
<b><u>GENERAL PROFESSIONS DEDICATED FUND (022)</u></b>			
<b>Pharmacy Practice Education Training</b>	\$ 192,558	\$ 307,000	63%
Payments for contractual services, commodities, travel, and equipment which were paid locally by 6/30/12 were submitted to the Comptroller's office in the lapse period for reimbursement. They were submitted in the lapse period due to time constraints in the Business Office.			

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
ANALYSIS OF ACCOUNTS RECEIVABLE  
AS OF JUNE 30, 2012  
(With Comparative Totals as of June 30, 2011)**

<b>Balance Sheet at June 30 of</b>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>Change</b></u>
<b>Accounts Receivable (Net)</b>			
Current Unrestricted Fund	\$ 7,612,823	\$ 6,397,191	\$ 1,215,632
Current Restricted Fund	3,357,359	3,638,613	(281,254)
Total Accounts Receivable (Net)	<u>\$ 10,970,182</u>	<u>\$ 10,035,804</u>	<u>\$ 934,378</u>
Accounts Receivable - All Funds at Gross	\$ 18,018,161	\$ 15,261,069	\$ 2,757,092
Less: Allowance for Uncollectible Accounts	<u>(7,047,979)</u>	<u>(5,225,265)</u>	<u>(1,822,714)</u>
Total Accounts Receivable (Net)	<u>\$ 10,970,182</u>	<u>\$ 10,035,804</u>	<u>\$ 934,378</u>
<b>Aging of Current Unrestricted Fund</b>			
Current (less than one year)	\$ 3,741,264	\$ 3,132,797	\$ 608,467
One year past due	2,806,873	2,617,769	189,104
Two years past due	2,365,952	1,536,654	829,298
Three years past due	1,449,095	1,890,321	(441,226)
Older than three years past due	4,147,618	2,412,984	1,734,634
Total Current Unrestricted Fund-Gross	<u>\$ 14,510,802</u>	<u>\$ 11,590,525</u>	<u>\$ 2,920,277</u>
Balance Sheet - Current Unrestricted Fund (Net)	\$ 7,612,823	\$ 6,397,191	\$ 1,215,632
Allowance for Uncollectible Accounts	<u>(6,897,979)</u>	<u>(5,193,334)</u>	<u>(1,704,645)</u>
<b>TOTAL CURRENT UNRESTRICTED FUND-GROSS</b>	<u><b>\$ 14,510,802</b></u>	<u><b>\$ 11,590,525</b></u>	<u><b>\$ 2,920,277</b></u>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF SOURCES AND APPLICATIONS OF  
INDIRECT COST RECOVERIES  
FOR THE YEAR ENDED JUNE 30, 2012**

**SOURCES:**

Direct federal awards	\$ 752,072
State awards (including federal pass through awards)	96,586
Local and private funds (including federal pass through awards)	1,643
Total Sources	<u>850,301</u>

**APPLICATIONS:**

Compensation and benefits	306,605
Contractual	346,909
Travel	9,186
Commodities	160,627
Equipment	69,856
Other expenses	141,514
Total Applications	<u>1,034,697</u>

Excess (Deficit) of Sources Over Applications	<u>(184,396)</u>
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**TRANSFERS**

Transfer of excess funds to Income Fund	(428,941)
Total Transfers	<u>(428,941)</u>

<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>625,418</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 12,081</u></u>
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**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SCHEDULE OF FEDERAL EXPENDITURES, NONFEDERAL EXPENSES, AND NEW LOANS  
FOR THE YEAR ENDED JUNE 30, 2012**

(expressed in thousands)

**Schedule A - Federal Financial Component**

Total Federal Expenditures Reported on SEFA schedule	\$ 26,508
Total New Loans made not included on SEFA Schedule	62,950
Amount of Federal Loan Balances at Beginning of the Year (not included on the SEFA schedule and continued compliance is required)	1,690
Other noncash Federal Award Expenditures (not included on SEFA schedule)	-
Total Schedule A	<u>\$ 91,148</u>

**Schedule B - Total Financial Component**

Total Operating Expenses (From Financial Statements)	\$ 139,656
Total Nonoperating Expenses (From Financial Statements)	1,046
Total new loans made	62,950
Amount of Federal Loan Balances at Beginning of the Year	1,690
Other noncash Federal award expenditures	-
Total Schedule B	<u>\$ 205,342</u>

**Schedule C**

Total Schedule A	\$ 91,148	<u>Percent</u> 44.4%
Total Non-Federal Expenses	<u>\$ 114,194</u>	<u>55.6%</u>
Total Schedule B	<u>\$ 205,342</u>	<u>100.0%</u>

These schedules are used to determine the Agency's single audit costs in accordance with OMB Circular A-133.

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
ANALYSIS OF OPERATIONS  
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(UNAUDITED)**

**AGENCY FUNCTIONS AND PLANNING**

Chicago State University (University) is governed by the Chicago State University Board of Trustees which is comprised of seven members appointed by the Governor with the advice and consent of the State Senate. There is also one voting student member elected by the student body. Three board members have five-year appointments and the other four have a three-year term. The student is elected for a one year term.

The 2012 Chicago State University Strategic Plan, *Fulfilling Our Mission Through ACCESS*, contains the strategic plan and the context for planning. The goals, objectives, and the mission statement and University vision are incorporated into this document. The plan will guide the University until 2015.

**Chicago State University – Mission**

Chicago State University is a public, comprehensive university that provides access to higher education for students of diverse backgrounds and educational needs. The University fosters the intellectual development and success of its student population through a rigorous, positive, and transformative education experience. The University is committed to teaching, research, service and community development including social justice, leadership and entrepreneurship.

The University works towards these six strategic goals over the next three to five years as they seek to fulfill their mission:

- Academic Excellence, Teaching and Research
- Community Service and Engagement
- Cost Efficiencies and Diverse Revenue Streams
- Enrollment, Retention, and Graduation
- Strengthened Infrastructure
- Shared Accountability and Image

**Chicago State University Vision Statement**

Chicago State University will be recognized for innovations in teaching and research, and in promoting ethical leadership, entrepreneurship, and social and environmental justice. The University will embrace, engage, educate, and empower its students and community to transform lives locally and globally.

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**AGENCY FUNCTIONS AND PLANNING (continued)**

The values of the University include:

- Intellectual development
- Creative and innovative thinking and learning
- Dignity and unique talents of all persons
- Responsible choices and actions
- Personal and academic excellence
- Personal, professional and academic integrity
- Diversity
- Leadership, service, philanthropy, social justice, and entrepreneurship
- Pride in self, community and university
- Lifelong learning

**University Head and Location**

The current President of the University is Dr. Wayne Watson whose office is located at:

Chicago State University  
Cook Administration Building  
9501 South Martin Luther King Drive  
Chicago, IL 60628.

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**Average Number of Employees**

Average number of University employees during the years ended June 30,

	<u>2012</u>	<u>2011</u>
Faculty and Staff	856	894
Students	<u>260</u>	<u>253</u>
<b>TOTAL</b>	<u><u>1,116</u></u>	<u><u>1,147</u></u>

**Comparative Enrollment Statistics**

The data indicated below for head count is for the Spring enrollment and the credit hour data is for the entire academic year.

	<u>2012</u>	<u>2011</u>
Head Count:		
Undergraduate	4,688	5,483
Graduate	<u>1,574</u>	<u>1,720</u>
<b>TOTAL</b>	<u><u>6,262</u></u>	<u><u>7,203</u></u>
Institutional cost per student	<u><u>\$ 7,435</u></u>	<u><u>\$ 7,216</u></u>
Credit Hours:		
Undergraduate	122,359	140,944
Graduate	<u>32,573</u>	<u>34,423</u>
<b>TOTAL</b>	<u><u>154,932</u></u>	<u><u>175,367</u></u>



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**Comparative Enrollment Statistics (Continued)**

University operational activity can be highlighted by the presentation of enrollment data.

**Chicago State University Enrollment Summary '00-12:**

<u>Term</u>	<u>Undergraduates</u>	<u>Graduates</u>	<u>Total</u>
Fall '00	5,060	1,854	6,914
Fall '01	5,140	1,939	7,079
Fall '02	4,979	2,179	7,158
Fall '03	4,904	2,136	7,040
Fall '04	4,867	1,968	6,835
Fall '05	5,160	1,971	7,131
Fall '06	5,167	1,868	7,035
Fall '07	5,217	1,593	6,810
Fall '08	5,211	1,609	6,820
Fall '09	5,398	1,837	7,235
Fall '10	5,675	1,687	7,362
Fall '11	5,280	1,602	6,882
Fall '12	4,618	1,489	6,107

**Chicago State University Enrollment Demographics - Fall '12:**

<u>Category</u>	<u>Number</u>	<u>Percent</u>
Full-time	3,479	57.0%
Part-time	2,628	43.0%
Male	1,777	29.1%
Female	4,330	70.9%
Freshman	770	12.6%
Sophomores	795	13.0%
Juniors	1,331	21.8%
Seniors	1,698	27.8%
Other Undergraduates	24	0.4%
Graduates	1,489	24.4%

**Credit Hour Production - Entire Academic Year**

<u>College</u>	<u>2012 Credit Hours</u>
Pharmacy	11,951
Arts & Science	57,862
Business	15,934
Education	22,396
Nursing	23,594
Special Programs	19,634
Undecided/Undeclared	3,561
<b>TOTAL</b>	<b>154,932</b>

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**COMPARATIVE SCHEDULE OF UNRESTRICTED CURRENT FUND  
EXPENDITURES PER FULL-TIME EQUIVALENT STUDENTS**

	<u>2012</u>		<u>2011**</u>	
	<u>Total Costs</u>	<u>Total Semester Cost Per Full-Time Equivalent*</u>	<u>Total Costs</u>	<u>Total Semester Cost Per Full-Time Equivalent*</u>
Direct salary	\$ 18,512,226	\$ 1,701	\$ 23,669,463	\$ 1,968
Indirect instruction	3,300,850	303	1,222,515	102
Departmental research	1,075,149	99	686,004	57
Departmental overheads	1,454,088	134	1,414,702	117
College or school overheads	<u>1,602,208</u>	<u>147</u>	<u>853,168</u>	<u>71</u>
Subtotal of Department and College Cost	<u>25,944,521</u>	<u>2,384</u>	<u>27,845,852</u>	<u>2,315</u>
Overhead support unique to college costs	3,303,373	303	5,428,900	451
All other academic support	7,562,701	695	6,317,261	525
Student services	5,319,031	489	4,927,443	410
Institutional support	<u>13,849,303</u>	<u>1,273</u>	<u>12,237,645</u>	<u>1,018</u>
Subtotal of Department and College Costs with University Overheads	<u>55,978,929</u>	<u>5,144</u>	<u>56,757,101</u>	<u>4,719</u>
Operation and maintenance of physical plant	<u>14,199,891</u>	<u>1,305</u>	<u>16,483,972</u>	<u>1,371</u>
<b>TOTAL OF ALL COSTS</b>	<u><u>\$ 70,178,820</u></u>	<u><u>\$ 6,449</u></u>	<u><u>\$ 73,241,073</u></u>	<u><u>\$ 6,090</u></u>

\* The FTE for undergraduates is calculated by the total number of credit hours generated divided by 15 and the FTE for graduates is calculated by the total number of credit hours generated divided by 12.

\*\* Fiscal year 2011 has been restated to match the information submitted to the Illinois Board of Higher Education.

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**EMERGENCY PURCHASES (Unaudited)**

The University made the following emergency purchases during FY12:

- There was a critical need for broadband service to prevent any disruption of service (\$8,967).
- There was a critical need to repair a ruptured water main in the Williams Science Center to ensure public health safety (\$82,876).

**ILLINOIS FIRST PROGRAMS (Unaudited)**

The University does not have any Illinois First Programs.

**BOOKSTORE INFORMATION (Unaudited)**

The University has a contract with a bookstore for the period from July 1, 2010 through June 30, 2015. The contract with the bookstore has the following terms:

1. 9.1% of all gross revenues up to \$3,000,000; and
2. 11.1% of all gross revenues over \$3,000,000

During FY 12 the bookstore had gross revenue of \$2,162,351 and the University earned commissions of \$196,774. The bookstore has been given exclusive rights to sell books on campus.

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**SCHEDULE OF DEGREES CONFERRED**

The University conferred degrees during the years ended June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Bachelors Degrees	864	839
Post-Baccalaureate Certificates	4	-
Masters Degrees	292	243
Doctoral	3	4
Professional (Pharm D)	77	-
Total Degrees conferred	<u>1,240</u>	<u>1,086</u>

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**SCHEDULE OF TUITION AND FEE WAIVERS - UNDERGRADUATE**

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<b><u>MANDATORY WAIVERS</u></b>				
<b>(SUBTOTAL)</b>	306	\$ 938.6	230	\$ 145.5
General Assembly	14	59.6	13	4.0
ROTC	42	188.2	-	-
DCFS	4	22.1	4	5.1
Children of Employees	32	86.5	-	-
Senior Citizens	1	0.8	-	-
Illinois Veterans Grants (IVG)	191	497.7	191	116.7
Prisoners of War/MIA	22	83.7	22	19.7
<b><u>DISCRETIONARY WAIVERS</u></b>				
<b>(SUBTOTAL)</b>	217	\$ 695.9	71	\$ 53.6
Faculty/Administrators (non-civil service)	1	1.5	1	0.1
Civil Service	70	153.6	70	53.5
Academic/Other Talent	5	21.4	-	-
Athletic	40	161.5	-	-
Gender Equity in Intercollegiate Athletics	37	224.5	-	-
Student Need - Special Programs	64	133.4	-	-
<b>TOTAL</b>	<u>523</u>	<u>\$ 1,634.5</u>	<u>301</u>	<u>\$ 199.1</u>

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**SCHEDULE OF TUITION AND FEE WAIVERS - GRADUATE**

(in thousands of dollars)

	<u>Tuition</u>		<u>Fees</u>	
	<u>Number of Waivers</u>	<u>Value of Waivers</u>	<u>Number of Waivers</u>	<u>Value of Waivers</u>
<b><u>MANDATORY WAIVERS</u></b>				
<b>(SUBTOTAL)</b>	<u>80</u>	<u>\$ 296.6</u>	<u>80</u>	<u>\$ 58.0</u>
Teacher/Special Education	18	68.8	18	20.2
General Assembly	8	82.4	8	3.7
Illinois Veterans Grants (IVG)	48	124.5	48	29.2
Prisoners of War/MIA	6	20.9	6	4.9
<b><u>DISCRETIONARY WAIVERS</u></b>				
<b>(SUBTOTAL)</b>	<u>164</u>	<u>\$ 294.6</u>	<u>115</u>	<u>\$ 53.9</u>
Faculty/Administrators (non-civil service)	48	62.0	48	22.9
Civil Service	43	74.8	42	21.1
Cooperating Professionals	25	21.1	25	9.9
Teaching Assistants	48	136.7	-	-
<b>TOTAL</b>	<u><u>244</u></u>	<u><u>\$ 591.2</u></u>	<u><u>195</u></u>	<u><u>\$ 111.9</u></u>

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UNIVERSITY REPORTING IN ACCORDANCE WITH UNIVERSITY GUIDELINES  
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The Auditor General requires that certain special data for audits of universities, specified in a memorandum dated July 25, 1983, be presented. The following information lettered (a) through (u), is provided in response to that requirement of the "University Guidelines - 1982 (As Amended 1997)". Our audit was made for the purposes described on pages 4-5 and 43-44 of our financial audit report and pages 11-18 of our compliance examination report, and would not necessarily disclose all situations which might be at variance with the following statements.

**COMPLIANCE FINDINGS**

- (a) We identified violations of University Guidelines for the year ended June 30, 2012 regarding subsidies between accounting entities and tuition and fees diverted to an accounting entity. See findings 12-22 and 12-23.

**INDIRECT COST REIMBURSEMENTS**

- (b) Refer to page 98 of this report for the sources and applications of indirect cost reimbursements for the year ended June 30, 2012.
- (c) Refer to page 112 of this report for calculation of allowable indirect cost carryforward and required remittances to the Income Fund.

**TUITION CHARGES AND FEES**

- (d) Chicago State University did not divert tuition to auxiliary enterprise operations.

**AUXILIARY ENTERPRISES, ACTIVITIES AND ACCOUNTING ENTITIES**

- (e) To comply with University Guidelines adopted by the State of Illinois Legislative Audit Commission in 1982, the University maintains separate sub-fund accounting entities to enforce legal prohibitions against inter-entity subsidies. Separate accounting entities are maintained for, and these financial statements cover, the following auxiliary enterprises and activities.

Accounting entities as defined by the 1982 Legislative Audit Commission Guidelines and their primary revenue source are as follows:

**Auxiliary Enterprises:**

University Facilities System Revenue Bond Fund:

This entity operates the Student Union Building and receives revenues principally from Student Union fees, rental, and user fees, and leased bookstore and food service commissions.

Parking Facilities:

The entity operates the University's parking facilities and receives revenues from parking fees.

Health Services:

This entity includes student health related operations of the Wellness Center and Insurance Support Services.

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**Activities:**

Public Services:

This entity is used for the operations of non-credit continuing education programs, training institutes, seminars and short courses. Revenues are derived from fees charged to participants in its programs, courses, etc. In addition, it provides testing services to various departments and students with its revenues derived from fees charged to its users.

Activities Services:

Service departments provide products or services to University departments. Revenue is produced through charge backs to users.

Revenues and expenditures are offset against each other and reported net in the University's separately issued financial statements. This entity includes the following services with revenues resulting from user charges:

Printing, duplicating, photocopying, plate making, and design services primarily to University departments.

Purchasing, controlling, and dispensing common supplies to University departments through Central Stores.

Providing teaching and instruction aids to students and departments.

Providing telecommunication and mailing services.

Providing and coordinating office machine maintenance service.

Student Activities:

This entity includes mandatory student fees and the expenditure of all student activities approved by the student government such as student newspaper and athletic activities.

Continuing Education:

This entity includes the tuition revenues of credit-bearing courses that are requested and fully paid for by government units, community organizations or private business.

- (f) Refer to pages 114-117 of this report for financial statements of each accounting entity.
- (g) Refer to page 113 for calculations of current excess funds for each entity.
- (h) Auxiliary Enterprises and Activities received no support from appropriated State funds.
- (i) A Statement of Revenue, Expenses, and Changes in Net Assets for the bond indenture required accounts is presented on page 39 of the financial audit report.



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- (j) The University Auxiliary Facilities System Revenue Bond Fund accounting conforms to the terms of the bond use.
- (k) The University established a Development Reserve in 1992 with the approval of the Board of Governors System to fund the planning costs associated with the construction of the Student Center and Residence Hall. The funding source was generated by an increase to student mandatory fees as approved by student referendum.

**UNIVERSITY RELATED ORGANIZATIONS**

- (l) The University recognizes the Chicago State University Foundation (Foundation) as a University Related Organization. There are no organizations considered by the University to be "Independent Organizations" as defined in Section VII of "University Guidelines – 1982 (As Amended 1997)".
- (m) The University did not receive cash payments from the Foundation for services provided. However, the Foundation provided direct support to the University as illustrated on page 118 of this report.
- (n) The University provided funds (primarily in the form of services) of approximately \$424,730 to the Foundation for the year ended June 30, 2012.
- (o) There are no cumulative unreimbursed subsidies from the University or appropriated funds to the Foundation. However, an advance by the University to the Foundation has been outstanding for more than 12 months (see finding 12-22)
- (p) There is no debt financing provided by the Foundation.

**OTHER TOPICS**

- (q) Refer to page 93 for the Schedule of Cash, Temporary Cash Investments, and Investments as of June 30, 2012.
- (r) Income from the investment of pooled funds is regularly allocated and credited to the original sources of the funds.
- (s) Refer to pages 102-104 for student enrollment and cost statistics.
- (t) Neither the University or the Foundation has purchased any real estate during the year ended June 30, 2012.
- (u) There are no certificates of participation (COPS) or participation in lease or purchase arrangements involving COPS for the year ended June 30, 2012.

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**SCHEDULE OF INDIRECT COST FUNDS TO BE DEPOSITED INTO THE UNIVERSITY  
INCOME FUND AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (AS AMENDED 1997)**

CALCULATION SHEET FOR INDIRECT COST CARRYFORWARD

Current Available Funds	
Cash and cash equivalents	\$ 558,913
Allowable Indirect Cost Carryforward	
Indirect cost reimbursements allocated for expenditure for the fiscal year completed (\$750,000 @ 30%)	225,000
Unallocated Reimbursements - the lesser of actual unallocated indirect cost reimbursement or 10% of total indirect cost allocations.	75,000
Encumbrances and Current Liabilities	<u>355,195</u>
Total Allowable Indirect Cost Carryforward (Sum of Lines 2, 3 and 4)	<u>655,195</u>
<b>AMOUNT TO BE REMITTED TO THE INCOME FUND</b>	<u><u>NONE</u></u>

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**SCHEDULE OF EXCESS FUNDS CALCULATION BY ENTITY AS REQUIRED BY 1982 UNIVERSITY GUIDELINES (1997 AMENDED)**

	AUXILIARY ENTERPRISES				ACTIVITIES				
	Bond Revenue	Parking	Student Health	Total Auxiliary Enterprises	Public Services	Activity Services	Student Activities	Continuing Education	Total Activities
1. Current available funds									
Add:									
Cash and cash equivalents	\$ 1,839,427	\$ 1,533,598	\$ 165,104	\$ 3,538,129	\$ 1,085,303	\$ 5,744,175	\$ (1,391,270)	\$ 665,032	\$ 6,103,240
Total current available funds	A. 1,839,427	1,533,598	165,104	3,538,129	1,085,303	5,744,175	(1,391,270)	665,032	6,103,240
2. Working capital allowance									
Add:									
Highest month's expenditures	816,028	143,699	56,744	1,016,471	78,959	584,516	573,275	10,798	1,247,548
Encumbrances and current liabilities paid in lapse period	300,149	92,974	23,592	416,715	21,959	498,746	243,125	3,730	767,560
Deferred income / Refundable deposits	11,422	2,321	2,197	15,940	647	18,269	10,652	-	29,568
Allowance for restoring inventory to normal level	-	-	-	-	-	-	-	-	-
Allowance for sick leave / vacation payouts	73,779	34,959	39,199	147,937	12,564	59,167	20,862	-	92,593
Working capital allowance	B. 1,201,378	273,953	121,732	1,597,063	114,129	1,160,698	847,914	14,528	2,137,269
3. Current excess funds:									
Deduct B from A and enter here	C. \$ 638,049	\$ 1,259,645	\$ 43,372	1,941,066	\$ 971,174	\$ 4,583,477	\$ (2,239,184)	\$ 650,504	3,965,971
4. Calculation of income fund remittance									
An entity may offset excess capital or current funds within the entity									
Enter the amount to be offset, if any, here	D. (190,199)	(169,870)	-	(360,069)	(49,834)	(117,482)	(40,171)	-	(207,487)
Enter the algebraic sum of C and D and remit the amount due, if any for deposit in the Income Fund				\$ 1,580,997					\$ 3,758,484

For the purposes of determining the amounts due to the Income Fund, Chicago State University considers the total Activities and the total Auxiliary Enterprises to be the level at which the excess funds calculations are to be made.

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BALANCE SHEETS - ENTITIES

(With Comparative Totals as of June 30, 2011)

	Auxiliary Enterprises			Activities			Total All Entities (Memorandum Only)		
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2012	2011
<b>CURRENT UNRESTRICTED FUND</b>									
<b>ASSETS:</b>									
Cash and cash equivalents	\$ 1,839,427	\$ 1,533,598	\$ 165,104	\$ 1,085,303	\$ 5,744,175	\$ -	\$ 665,032	\$ 11,032,639	\$ 9,635,602
Accounts receivable, net	23,467	232	119,955	8,491	268,389	243,617	-	664,151	1,069,470
Prepaid expenses	29	457	1,188	-	33,526	9,253	-	44,453	151,175
Other assets	134,134	-	-	-	-	-	-	134,134	93,825
Inventories	-	-	-	-	42,976	-	-	42,976	40,094
<b>TOTAL ASSETS</b>	<b>\$ 1,997,057</b>	<b>\$ 1,534,287</b>	<b>\$ 286,247</b>	<b>\$ 1,093,794</b>	<b>\$ 6,089,066</b>	<b>\$ 252,870</b>	<b>\$ 665,032</b>	<b>\$ 11,918,353</b>	<b>\$ 10,990,166</b>
<b>CURRENT UNRESTRICTED FUND</b>									
<b>LIABILITIES AND FUND BALANCE:</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391,270	\$ -	\$ 1,391,270	\$ 2,733,250
Accounts payable	18,564	35,660	12,478	19,410	256,599	146,082	3,730	492,523	812,599
Deferred revenue	11,422	2,321	2,197	647	18,269	10,652	-	45,508	66,573
Accrued compensated absences	73,779	34,959	39,199	12,564	59,167	20,862	-	240,530	232,950
Fund balances (deficit), unrestricted	1,893,292	1,461,347	232,373	1,061,173	5,755,031	(1,315,996)	661,302	9,748,522	7,144,794
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,997,057</b>	<b>\$ 1,534,287</b>	<b>\$ 286,247</b>	<b>\$ 1,093,794</b>	<b>\$ 6,089,066</b>	<b>\$ 252,870</b>	<b>\$ 665,032</b>	<b>\$ 11,918,353</b>	<b>\$ 10,990,166</b>
<b>PLANT FUNDS ASSETS:</b>									
Cash and cash equivalents	\$ 286,040	\$ -	\$ -	\$ -	\$ 83,157	\$ 54,849	\$ -	\$ 424,046	\$ 453,840
Investment in plant:									
Buildings & Improvements	25,283,916	929,741	-	1,907	107,107	19,536	274	26,342,481	26,127,842
Furniture and equipment	4,593,731	876,768	-	249,172	587,411	200,857	-	6,507,939	6,052,436
<b>TOTAL ASSETS</b>	<b>\$ 30,163,687</b>	<b>\$ 1,806,509</b>	<b>\$ -</b>	<b>\$ 251,079</b>	<b>\$ 777,675</b>	<b>\$ 275,242</b>	<b>\$ 274</b>	<b>\$ 33,274,466</b>	<b>\$ 32,634,118</b>
<b>PLANT FUNDS LIABILITIES AND FUND BALANCE:</b>									
Accounts payable	\$ 71,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,053	\$ 264,649
Bond payable	16,390,000	-	-	-	-	-	-	16,390,000	17,365,000
Premium on bonds	258,249	-	-	-	-	-	-	258,249	280,705
Fund balances (deficit):	13,444,385	1,806,509	-	251,079	777,675	275,242	274	16,555,164	14,723,764
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 30,163,687</b>	<b>\$ 1,806,509</b>	<b>\$ -</b>	<b>\$ 251,079</b>	<b>\$ 777,675</b>	<b>\$ 275,242</b>	<b>\$ 274</b>	<b>\$ 33,274,466</b>	<b>\$ 32,634,118</b>

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

STATEMENT OF REVENUES, EXPENDITURES AND TRANSFERS  
CURRENT UNRESTRICTED FUNDS

(with comparative totals for the Year Ended June 30, 2011)

	Auxiliary Enterprises			Activities				Total All Entities (Memorandum Only)	
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2012	2011
<b>REVENUES:</b>									
Operating	\$ 2,780,824	\$ 1,110,749	\$ 91,033	\$ 283,376	\$ 2,578,123	\$ 689,569	\$ 45,476	\$ 7,579,150	\$ 8,752,565
Student fees	2,225,015	-	428,638	-	2,915,657	2,214,457	-	7,783,767	8,090,528
Other	-	-	-	22,117	282,321	13,713	-	318,151	217,040
<b>TOTAL REVENUES</b>	<u>5,005,839</u>	<u>1,110,749</u>	<u>519,671</u>	<u>305,493</u>	<u>5,776,101</u>	<u>2,917,739</u>	<u>45,476</u>	<u>15,681,068</u>	<u>17,060,133</u>
<b>EXPENDITURES:</b>									
Cost of sales	-	-	-	-	299,594	-	-	299,594	310,883
Personal services	1,022,607	617,813	425,842	239,313	1,649,255	974,651	17,804	4,947,285	4,252,385
Expended for plant	164,255	95,504	6,930	-	389,675	11,878	-	668,242	652,708
Commodities	102,247	72,089	20,575	10,300	625,965	215,263	81	1,046,520	948,351
Contractual services	1,758,700	76,638	32,216	47,544	985,174	406,551	4,883	3,311,706	4,508,892
Other (travel, telecommunications, excess funds refunds, fund transfers)	187,825	89,547	2,903	3,933	401,652	107,903	350	794,113	2,330,337
<b>TOTAL EXPENDITURES</b>	<u>3,235,634</u>	<u>951,591</u>	<u>488,466</u>	<u>301,090</u>	<u>4,351,315</u>	<u>1,716,246</u>	<u>23,118</u>	<u>11,067,460</u>	<u>13,003,556</u>
<b>TRANSFERS OUT:</b>									
Transfer out	1,819,981	-	-	-	-	-	189,899	2,009,880	3,109,141
<b>Total Transfers Out</b>	<u>1,819,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,899</u>	<u>2,009,880</u>	<u>3,109,141</u>
<b>TOTAL EXPENDITURES AND TRANSFERS OUT</b>	<u>5,055,615</u>	<u>951,591</u>	<u>488,466</u>	<u>301,090</u>	<u>4,351,315</u>	<u>1,716,246</u>	<u>213,017</u>	<u>13,077,340</u>	<u>16,112,697</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND TRANSFERS OUT</b>	<u>\$ (49,776)</u>	<u>\$ 159,158</u>	<u>\$ 31,205</u>	<u>\$ 4,403</u>	<u>\$ 1,424,786</u>	<u>\$ 1,201,493</u>	<u>\$ (167,541)</u>	<u>\$ 2,603,728</u>	<u>\$ 947,436</u>

STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

STATEMENT OF CHANGES IN FUND BALANCES  
CURRENT UNRESTRICTED FUNDS

(With Comparative Totals for the Year Ended June 30, 2011)

	Auxiliary Enterprises			Activities			Total All Entities (Memorandum Only)		
	University Facilities Revenue Bond Fund	Parking Facilities	Student Health Services	Public Services	Activities Services	Student Activities	Continuing Education	2012	2011
<b>REVENUES</b>	\$ 5,005,839	\$ 1,110,749	\$ 519,671	\$ 305,493	\$ 5,776,101	\$ 2,917,739	\$ 45,476	\$ 15,681,068	\$ 17,060,133
<b>EXPENDITURES:</b>									
Educational and general	-	-	488,466	301,090	4,351,315	1,716,246	23,118	6,880,235	8,895,555
Auxiliary enterprise	3,235,634	951,591	-	-	-	-	-	4,187,225	4,108,001
<b>Total Expenditures</b>	<u>3,235,634</u>	<u>951,591</u>	<u>488,466</u>	<u>301,090</u>	<u>4,351,315</u>	<u>1,716,246</u>	<u>23,118</u>	<u>11,067,460</u>	<u>13,003,556</u>
<b>TRANSFERS:</b>									
Transfer out	(1,819,981)	-	-	-	-	-	(189,899)	(2,009,880)	(3,109,141)
<b>Total Transfers Out</b>	<u>(1,819,981)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,899)</u>	<u>(2,009,880)</u>	<u>(3,109,141)</u>
Net Increase (Decrease) in Fund Balance	(49,776)	159,158	31,205	4,403	1,424,786	1,201,493	(167,541)	2,603,728	947,436
Fund Balance (Deficit), Beginning of Year	<u>1,943,068</u>	<u>1,302,189</u>	<u>201,168</u>	<u>1,056,770</u>	<u>4,330,245</u>	<u>(2,517,489)</u>	<u>828,843</u>	<u>7,144,794</u>	<u>6,197,358</u>
<b>FUND BALANCE (DEFICIT) END OF YEAR</b>	<u>\$ 1,893,292</u>	<u>\$ 1,461,347</u>	<u>\$ 232,373</u>	<u>\$ 1,061,173</u>	<u>\$ 5,755,031</u>	<u>\$ (1,315,996)</u>	<u>\$ 661,302</u>	<u>\$ 9,748,522</u>	<u>\$ 7,144,794</u>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SPECIAL DATA REQUIREMENTS FOR THE AUDITS OF UNIVERSITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**STATEMENT OF CHANGES IN FUND BALANCES  
PLANT FUNDS**

(With Comparative totals for the Year Ended June 30, 2011)

	Auxiliary Enterprises		Activities				Total All Entities (Memorandum Only)	
	University Facilities Revenue Bond Fund	Parking Facilities	Public Services	Activities Services	Student Activities	Continuing Education	2012	2011
<b>REVENUES AND OTHER ADDITIONS:</b>								
Interest Income	\$ 40	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 140
Expended for plant	173,085	95,504	-	389,676	11,878	-	670,143	657,532
Retirement of debt	975,000	-	-	-	-	-	975,000	930,000
Total Revenues and Other Additions	<u>1,148,125</u>	<u>95,504</u>	<u>-</u>	<u>389,676</u>	<u>11,878</u>	<u>-</u>	<u>1,645,183</u>	<u>1,587,672</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>								
Principal and interest on debt	1,823,663	-	-	-	-	-	1,823,663	1,821,784
Other deductions	-	-	-	-	-	-	-	12,148
Total Expenditures and Other Deductions	<u>1,823,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,823,663</u>	<u>1,833,932</u>
<b>TRANSFERS IN:</b>								
Transfer in	1,819,981	-	-	-	-	189,899	2,009,880	3,109,141
Total Transfers In	<u>1,819,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,899</u>	<u>2,009,880</u>	<u>3,109,141</u>
Net Increase (Decrease) in Fund Balance	1,144,443	95,504	-	389,676	11,878	189,899	1,831,400	2,862,881
Fund Balance (Deficit), Beginning of Year	<u>12,299,942</u>	<u>1,711,005</u>	<u>251,079</u>	<u>387,999</u>	<u>263,364</u>	<u>(189,625)</u>	<u>14,723,764</u>	<u>11,860,883</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ 13,444,385</u>	<u>\$ 1,806,509</u>	<u>\$ 251,079</u>	<u>\$ 777,675</u>	<u>\$ 275,242</u>	<u>\$ 274</u>	<u>\$ 16,555,164</u>	<u>\$ 14,723,764</u>

**STATE OF ILLINOIS  
CHICAGO STATE UNIVERSITY  
SPECIAL DATA REQUIREMENTS FOR AUDITS OF UNIVERSITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**SUMMARY OF FOUNDATION CASH SUPPORT TO THE UNIVERSITY**

The Chicago State University Foundation (Foundation) is considered a University-related organization under section VI of the University guidelines. Its contractual relationship to the University is described in "related party transactions", Note 9 of the Foundation's financial statements. During the current fiscal year, the University provided administrative support services valued at \$424,730 to the Foundation. The contract requires the Foundation to provide the University with fund-raising and other services. These services resulted in the Foundation's unrestricted expenditures described below, which qualify as "reimbursements" to the University in the University guidelines computation. Current year Foundation-restricted expenditures, which do not qualify as "reimbursements", are also described below.

Expenditures Considered Unrestricted for  
Purposes of the Guidelines Computation:

Totally Unrestricted	\$ 235,933
Restricted Only as to College or Department	<u>345,938</u>
Total Funds Considered Unrestricted	<u>581,871</u>

Expenditures Considered Restricted for  
Purposes of the Guideline Computations:

Given for Scholarships	<u>142,645</u>
Total Funds Considered Restricted	<u>142,645</u>

<b>TOTAL FUNDS PROVIDED BY THE FOUNDATION TO SUPPORT THE UNIVERSITY</b>	<b><u>\$ 724,516</u></b>
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